

**STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT
OLYMPIA, WASHINGTON**

**REQUEST FOR PROPOSALS (RFP)
“Warehousing and Distribution of Liquor”
OFM RFP NO. 12-200**

NOTE: *If you download this RFP from the OFM web site located at <http://www.ofm.wa.gov/contracts/procurement/postings.asp>, you are responsible for sending your name and e-mail address to the RFP Coordinator in order for your organization to directly receive any RFP amendments in the form of bidder questions/agency answers. Addenda will also be posted on the OFM web site.*

PROJECT TITLE: Warehousing and Distribution of Liquor in Washington State

PROPOSAL DUE DATE: September 30, 2011 – 12:00 Noon, *Pacific Daylight Time*, Olympia, Washington, USA.

Hard Copy proposals and electronic are required per Section 3. E-mailed or faxed proposals will not be accepted.

ESTIMATED TIME PERIOD FOR CONTRACT: December 1, 2011 – June 30, 2022

OFFEROR ELIGIBILITY: This procurement is open to those Offerors that satisfy the minimum qualifications stated herein and that are available for work in Washington State.

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1. Introduction
2. Current Washington State Liquor Operations
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1. INTRODUCTION

1.1 PURPOSE

The Washington State Office of Financial Management, hereafter called "OFM" or "AGENCY," is initiating this Request for Proposals (RFP) to seek competitive proposals from firms and private sector entities interested in contracting for the modernization of the State of Washington's liquor warehousing and distribution facilities and related operations.

Engrossed Substitute Senate Bill 5942, passed by the Washington State Legislature and signed by the Governor on June 15, 2011, states that it is in the public interest to seek revenue opportunities through leasing and modernizing the state's liquor warehousing and distribution facilities and related operations. The bill does not affect the private distribution or sale of beer or wine, the operation by the Washington State Liquor Control Board (WSLCB) of state liquor stores, or the authority of the Washington State Liquor Control Board to oversee, manage, and enforce liquor sales.

Throughout this competitive process, the WSLCB will retain its existing exclusive retail spirits sales business.

EXCLUDED from bidding are organizations and licensees engaged in the manufacture of liquor or the retail sale of liquor in the State of Washington.

The result of this RFP process will be that OFM will recommend to the WSLCB an apparent successful contractor for the services described in this RFP. If, in the determination of OFM, there is no proposal that meets the best interest of the state, OFM reserves the right to recommend that WSLCB not accept any of the proposals.

1.2 OBJECTIVES AND SCOPE OF WORK

The Scope of Work of this engagement is for:

- The lease of, or other contract for, the entire state liquor warehousing and distribution business, including the facilities, operations, and other assets associated with the warehousing of liquor and the distribution of liquor; and,
- The exclusive right to warehouse spirits and to distribute spirits in Washington state.

The apparently successful contractor will be expected to modernize the current Washington State Liquor Control Board's warehousing and distribution business, including, but not limited to, the facilities, operations, infrastructure and other assets.

Contractor shall be responsible for ensuring product is available to retail locations statewide at or above the State's current levels. Contractor must ensure order fulfillment and distribution of liquor with high-efficiency and cost-effectiveness. Contractor must have sufficient capital and resources to accomplish the services described herein. The State is not looking for guidance on product listing.

While the WSLCB will maintain the exclusive authority to select products and determine which products will be carried in state and contract liquor stores, the Contractor shall be responsible for supply management functions within their span of influence and control. This includes order fulfillment within established lead times. Contractor shall be responsible for working with State designated liquor suppliers and use all reasonable efforts with those suppliers to meet the needs of the State in a timely, efficient, and low-cost manner. The Contractor shall be responsible for monitoring and reporting to the State, the performance of State designated liquor suppliers, relative to their inbound supply function. The WSLCB uses supplier performance as a factor of influence when making business decisions.

All stores have access to all products that are authorized for sale including listed and special order items. However, not all stores are designed to carry all products. Essentially, contract liquor stores decide

independently the scope of their product offering. Six contract liquor stores are on a Hybrid commission structure and are required to carry a minimum number of products. State stores carry the broadest and most common array of products which averages 1,400 SKU's. However, even within state stores, the actual product offering can vary based on store size and market area interests.

AGENCY recognizes that prospective Offeror's may approach this project from multiple perspectives. In the event that proposals offer creative and innovative solutions to accomplish the scope and objectives defined herein, e.g., utilize a different warehousing and/or distribution process than currently utilized, the AGENCY will evaluate those proposals consistent with the evaluation criteria stated herein.

In addition, the Apparent Successful Contractor will be expected to negotiate in good faith a performance-based contract and/or lease with the WSLCB to ensure clear expectations of both parties and further defined roles and responsibilities for successful project outcomes.

1.3 MANDATORY MINIMUM QUALIFICATIONS

Unless otherwise specified at the time of submittal of their proposals, Offerors must satisfy all of the following mandatory minimum qualifications to be considered for the contract award:

1. Licensed to do business in the state of Washington or willing to provide a commitment that it will become licensed in Washington within thirty (30) calendar days of being selected as the Apparent Successful Contractor.
2. Minimum of 5 years relevant, wholesale distribution experience.
3. Financial capability to provide an up-front escrow payment to the State.
4. Financial capacity to manage and operate statewide warehousing and distribution operations.

OFM recognizes that potential firms may not currently be engaged in large-scale warehouse and related transportation services, and that their current operation may not include statewide distribution. Provided that the Offeror discloses this information and can still present a viable proposal demonstrating the ability, skills and financial capability to accomplish the services defined herein, they are allowed to submit a proposal.

1.4 LEASE OR CONTRACT PERIOD OF PERFORMANCE

The period of performance for the lease or contract resulting from this RFP is tentatively scheduled to begin on or about December 1, 2011 and to end on June 30, 2022, subject to performance and other contract provisions. The start of work will be determined by completion of successful negotiation of a lease or contract between the WSLCB and the Apparent Successful Contractor and the final date of execution of that lease or contract. Amendments extending the period of performance, if any, shall be at the discretion of the WSLCB in consultation with OFM.

The start of work specified herein is separate from the up-front payment made by the apparent successful contractor into an escrow account that is required within fifteen business days after the announcement of selection of its proposal.

1.5 OFFER OF EMPLOYMENT TO CURRENT STATE EMPLOYEES

Any resulting contract from this solicitation will include a commitment by the Contractor to offer employment to the state employees currently in positions relating to wholesale distribution of liquor and to recognize and bargain with any existing bargaining representative of such employees with respect to terms and conditions of employment.

1.6 DEFINITIONS

Definitions for the purposes of this RFP include:

Agency or OFM – The Office of Financial Management is the agency of the state of Washington issuing this RFP.

Apparent Successful Contractor – The Offeror selected as the entity to perform the anticipated services, subject to completion of contract negotiations and execution of a written contract.

Offeror or Firm or Private Sector Entity – Organization or company interested in the RFP and that may, or does, submit a proposal in order to attain a contract with the Washington State Liquor Control Board. This term includes owners, partners, or senior management of such organization or company.

Contractor – Individual or company whose proposal has been accepted by the WSLCB and is awarded a fully executed, written contract.

Liquor - Includes four varieties of liquor (alcohol, spirits, wine and beer), and all fermented, spirituous, vinous, or malt liquor, or combinations thereof, and mixed liquor, a part of which is fermented, spirituous, vinous or malt liquor, or otherwise intoxicating; and every liquid or solid or semisolid or other substance, patented or not, containing alcohol, spirits, wine or beer, and all drinks or drinkable liquids and all preparations or mixtures capable of human consumption, and any liquid, semisolid, solid, or other substance, which contains more than one percent of alcohol by weight shall be conclusively deemed to be intoxicating. Liquor does not include confections or food products that contain one percent or less of alcohol by weight.

Washington State Liquor Control Board or WSLCB – The agency of the state of Washington that currently has exclusive authority to regulate the importation, manufacture, distribution and sale of alcohol in Washington state.

Project – The planned undertaking set forth as the entire subject matter of this RFP.

Proposal – A formal Offeror submitted in response to this RFP.

Proposer – Organization, firm or company that submits a proposal in order to attain a contract with the WSLCB.

Request for Proposals (RFP) – This formal procurement document and any addenda thereto for the purposes of awarding a contract and/or lease for the services described herein.

Revised Code of Washington (RCW) – The compilation of all permanent laws now in force in the state of Washington. It is a collection of Session Laws (enacted by the Legislature, and signed by the Governor, or enacted via the initiative process), arranged by topic. It does not include temporary laws such as appropriations acts. See: <http://apps.leg.wa.gov/rcw/>.

Spirits - Any beverage which contains alcohol obtained by distillation, except flavored malt beverages, but including wines exceeding twenty-four percent of alcohol by volume.

State – The State of Washington as a state government entity.

1.7 ADA

The AGENCY complies with the Americans with Disabilities Act (ADA). Offerors may contact the RFP Coordinator to receive this Request for Proposals in Braille or on tape.

2. CURRENT WASHINGTON STATE LIQUOR CONTROL BOARD OPERATIONS

2.1 BACKGROUND

Washington is one of eighteen liquor control states, “control jurisdictions,” in which the state has a monopoly over the distribution and sale of specified types of liquor at the wholesale level. Twelve of those jurisdictions also exercise control over retail sales for off-premises consumption, either through government-operated package stores or designated outlets over which the State supervises a sales agency relationship. The state of Washington is one of those twelve. Washington adopted this control system on the sale of alcoholic beverages in 1933 following the repeal of Prohibition in an attempt to ensure public safety and controlled distribution. The Washington State Liquor Control Board was formed that same year to regulate the importation, manufacture, distribution and sale of alcohol.

2.2 CURRENT LIQUOR OPERATIONS

WSLCB is currently responsible for procurement, inventory, distribution and regulation of all liquor, wine and beer products sold in Washington state. WSLCB currently operates a 220,000 square foot Distribution Center (DC) located at 4401 E Marginal Way South, Seattle, WA 98134 servicing 166 State Liquor Stores, 163 Contract Liquor Stores, and 25 military and 15 tribal outlets which in turn serve 4,945 licensees (restaurants and bars) and the general public. This represents approximately 4.8 million consumers of legal age 21.

The DC operates in three shifts, five days per week, using 82 warehouse operators, supervisors and support staff to perform inbound shipment receiving at 14 doors, inventory management of approximately 1,900 Stock Keeping Units (SKUs) in approximately 14,336 reserve pallet locations, replenishment of 607 bulk and 19,566 case forward pick locations, 491 split case locations, and outbound shipments at six doors. Twelve maintenance personnel service all material handling equipment such as forklifts, turret trucks, pallet/case conveyor, lifts, carousels, etc. Daily case shipments typically average about 18,000-19,000 cases per day [16,000 cases per day during the off season, up to 25,000 cases per day during peak demand periods] to over 70 stops on 40+ routes per day. WSLCB has established contractual relationships with 4 privately-owned outbound carriers to securely transport to all outlets weekly within the state of Washington. Larger state liquor stores and selected military outlets may receive multiple shipments per week.

The WSLCB currently determines the localities where state liquor stores are established and the number of stores within each locality. The WSLCB appoints contract liquor stores in cities, towns, and other communities where no state liquor store is located. As noted, there are currently 166 state liquor stores and 163 contract liquor stores in the state.

State liquor stores currently achieve a 99.1% shelf in-stock rate for listed products while maintaining twelve inventory turns or better at the retail level. Point of sale (POS) data may be available daily from state stores. Contract liquor stores currently achieve a 99.1% shelf in-stock rate for listed products while maintaining 10 inventory turns or better at the retail level. POS data may or may not be available from these stores.

The retail shelf in stock rate is calculated on a weekly basis. Every state store counts the number of regularly listed SKU's that have an assigned shelf position in the store but are not on the shelf. The number of missing items is divided by the total number of assigned items to determine the shelf in-stock rate. The DC in stock rate is calculated by taking the actual store order fill rate and adding back in the percentage that is stores ordering ineligible items. Actual results for both of these metrics are included under WSLCB Resource Materials on OFM's web site.

Distribution services conducted by WSLCB consist of receipt, storage, inventory control and accountability, and order fulfillment. Delivery is made to every state liquor store, contract liquor store, military and tribal outlet at least once weekly.

All stores have access to all products that are authorized for sale including listed and special order items. Tribal and Military organizations may make requests to the WSLCB to open outlets within their jurisdictions. The WSLCB may or may not grant such requests. If the WSLCB approves an outlet, the outlet is treated as any contract store would be for the purposes of orders and deliveries.

Tribal and Military stores decide independently on the scope of their product offering. These stores place orders once or twice each week, depending on business needs. By contract, Tribal pricing is established at cost plus 10%. Military pricing is set at a discounted retail price. While State stores orders are automatically directed into a central order system, Tribal and Military orders are manually transposed by WSLCB and entered into the system. Title transfers upon delivery to their store and payment is immediately rendered. The WSLCB does not maintain ownership of the inventory after delivery to the Tribal or Military store. The WSLCB bears no responsibility for operational cost of these types of stores.

Product is purchased by the WSLCB from suppliers who may be producers, importers, or authorized distributors. The supplier is responsible for delivering product to the Distribution Center. The title of product in bailment remains with the supplier until it is transferred to a "Board Stock" location or shipped to a liquor store at which point the title transfers to the LCB. The title of product delivered to Tribal and Military transfers to those entities upon delivery to their locations. The title of product delivered to state and contract liquor stores remains with the WSLCB until the retail or licensee sale is made at which point the title transfers to the purchaser.

Current WSLCB operates a bailment warehouse that is a contract arrangement with suppliers. Bailment agreements are established on an individual basis between the WSLCB and suppliers. The contractor would have to do establish those same agreements.

The Contractor would be permitted to locate their warehouse anywhere regardless of inventory status (i.e.: bailment vs. non-bailment) provided such location does not interfere with the Contractor's ability to meet their contractual obligations.

WSLCB is governed by Title 66 Revised Code of Washington, Alcoholic Beverage Control.

2.3 WSLCB'S CURRENT INFORMATION TECHNOLOGY SYSTEMS

This section describes the Information Technology systems used by the WSLCB's Seattle Distribution Center. The Contractor will not need nor will they have access to the retail point of sale (POS) system. They will need to configure appropriate connectivity to the WSLCB's "I-Series" which is how store orders are transmitted. The use of the current Warehouse Management System (WMS) is optional at the discretion of the Contractor. The State does not require compensation for a license or use of the WMS system. Any changes to the WMS system would require the advance written approval of the WSLCB.

BUSINESS SYSTEMS

The Business System of record is commonly referred to as the I-Series. Older documentation may refer to the IBM AS400 which is the system originally used to develop many of its current capabilities. Support for the I-Series is maintained by WSLCB Information Technology Systems staff.

The I-Series is used to maintain master product data, including pricing strategies and brand descriptions, along with financial inventory totaled for the Distribution Center.

POINT OF SALE SYSTEMS

There are four types of retail outlets (State, Contract, Military and Tribal) within the State's system and each communicates data uniquely with the WSLCB Headquarters in Olympia. The 166 state stores' Point of Sale systems are all running on SAP POS 2.1. The Contract stores run their point of sale on independently acquired systems and are not managed or supported by the WSLCB. Military and tribal outlets are similar to the contract model; however, the financial aspects of how they acquire product are inherently different. None of these stores' Point of Sale systems directly interface to the Distribution Center's WMS System.

WAREHOUSE MANAGEMENT SYSTEMS

The Warehouse Management System (WMS) is used to plan and schedule material handling strategies at the Distribution Center (DC). The WMS maintains an inventory count of units which must be reconciled to the I-Series. Radio Frequency (RF) transactions are used to communicate with vehicle mounted and hand held bar code scanners throughout the facility. The tailored Catalyst WMS package is maintained under license by CDC Software.

Warehouse Control System (WCS) is used to execute material handling commands as directed by the WMS to store and retrieve cases of products within the automated material handling system. The WCS components are licensed and maintained through an agreement with Conveyco Technologies, Inc. and subcontractor Glen Road Systems, Inc.

2.4 WSLCB'S BUSINESS PROCESS SUMMARY

The WSLCB Purchasing Department initiates the movement of goods into the supply chain by documenting Purchase Orders (PO) or Stock Replenishments (SR) on the I-Series. An SR is used to replenish Supplier Managed Inventory (SMI). Suppliers can view the current inventory level of only their brand codes maintained on the I-Series. Brand code details are downloaded from the I-Series to the WMS to indicate the case size, pallet size, etc. expected to be sorted at the Distribution Center (DC). The WMS reports receipt of products in a batch file uploaded to the I-Series referring to the PO or SR used to document the inbound carrier shipment.

Brand code details are downloaded to the Point of Sale (POS) Retail systems used within the stores. The POS uses the Universal Product Code (UPC) bar code on each unit to identify the product by scanning at the cash register when the customer is checking out.

The I-Series prepares a Suggested Order Report for each State Liquor Store weekly which is downloaded to the Manager POS PC located within each State store. The Store Manager or Assistant Manager reviews the Suggested Order quantities, rechecks inventory locations for accuracy, adjusts inventory and uploads the Pending Order to the I-Series. Contract Liquor Store Managers and Tribal/Military outlets prepare their orders independently which are uploaded or key punched into the I-Series.

The WMS uses the Pending Orders and default route plan to communicate with outbound carriers by email then updates the Order with the actual route and individual stop(s) determined by the carrier. The custom programmed email uses an Electronic Data Interchange (EDI) format to communicate route and stop information for updates by the carriers.

The WMS plans replenishments to move reserve product to forward-pick locations to fulfill store orders. The WCS executes commands to store material/product using automated material handling equipment, and then retrieves cases to meet each store order in the load sequence of the trailer.

The WMS creates a Bill of Lading (summary) for the route along with Pick Lists (detail) for each store order, in both hard copies for the outbound carrier and electronically to upload to the I-Series. Retail outlets report the receipt of inventory, along with any discrepancies, to the I-Series in various formats and technologies.

The POS system tracks each sale of product at the store level, and uploads the information to the I-Series daily. The I-Series produces financial reports summarizing all of these activities for all of our internal and external customers.

2.5 WSLCB RESOURCE MATERIALS

WSLCB resource materials reflecting specific details related to the WSLCB "as is" state including, but not limited to, volume data, growth projections, operational profiles and store information, are provided to assist in preparation of your proposal. Section 8 of this RFP provides a list of the documents.

3. GENERAL INFORMATION FOR OFFERORS

3.1 ACCESS TO THE RFP

The RFP and any addenda to it will be posted on OFM's web site: <http://www.ofm.wa.gov/asp>. The RFP will also be posted on the Department of General Administration's (GA), Washington Electronic Bidding System (WEBS) at: <http://www.ga.wa.gov/webs/>. The RFP and any addenda will be provided directly via e-mail to all who make the RFP Coordinator aware of their interest. If you downloaded this RFP from the OFM website, you are responsible for sending your name and e-mail address to the RFP Coordinator in order for your organization to receive RFP addenda directly.

3.2 RFP COORDINATOR

The RFP Coordinator named below is the sole point of contact for this procurement. From the date of issuance of this RFP and throughout the procurement process, all communications by potential Offerors about the RFP must be directed in writing to the RFP Coordinator.

The RFP Coordinator will provide answers in writing via addenda on the OFM web site and through GA WEBS so that the same information is available to all interested parties. Offerors are to rely solely on written statements issued by the RFP Coordinator. This process is utilized to ensure a fair, open and equitable competitive procurement process for all parties. Any other communication related to this RFP will be considered unofficial and non-binding on the AGENCY. Communication related to this RFP directed to parties other than the RFP Coordinator about this RFP and its contents may result in disqualification of the Offeror.

Susan Johnsen, RFP Coordinator Office of Financial Management PO Box 43113 Olympia, WA 98504-3113
Phone: 360/725-3864
Email: susan.johnsen@ofm.wa.gov
Physical Address for Proposal Delivery: 302 Sid Snyder Avenue S.W., Insurance Building, Room 300 Olympia, Washington

3.3 ESTIMATED SCHEDULE OF PROCUREMENT ACTIVITIES

OFM issues Request for Proposals	September 2, 2011
Question and Answer period	September 2 - 22, 2011
Mandatory WSLCB Distribution Center site tour starting at 10 AM. Mandatory pre-proposal conference beginning at 1:30 PM in the Board Room at the WSLCB Distribution Center.	September 12, 2011
OFM issues last addendum to RFP	September 22, 2011
Proposals due	September 30, 2011 – 12:00 NOON – PDT

Evaluate written proposals and determine top-scoring finalists	October 1 - 28, 2011
<ul style="list-style-type: none"> Conduct on-site visits of finalists' distribution facilities, as applicable 	1 – 5 Days
<ul style="list-style-type: none"> Conduct oral interviews with finalists. Conduct reference checks. 	1 – 5 Days
Consult with Liquor Control Board, local government, and liquor distribution advisory committee regarding award.	October 31, 2011
OFM announces " <i>Recommended</i> , Apparent Successful Contractor" and sends notification via email to unsuccessful proposers.	November 2, 2011
OFM publicly discloses analysis of fiscal impact to state and local government for each Offeror in the procurement process.	November 2, 2011
WSLCB accepts or rejects OFM recommendation. (ESSB 5942 allows WSLCB up to 60 days after the recommendation to accept or reject.)	November 3, 2011 – December 29, 2011
Unsuccessful proposers may submit a challenge or protest within five business days of acceptance by WSLCB of OFM's recommendation and announcement of the apparent successful contractor. (<i>Dates indicated would be based on WSLCB's acceptance of OFM's recommendation on 11/03/11.</i>)	November 3, 2011 – November 9, 2011
WSLCB negotiates and awards contract (if no protests)	November 10 - 30, 2011
Begin contract work when contract is executed.	December 1, 2011

The AGENCY reserves the right to revise the above schedule.

3.4 MANDATORY WSLCB DISTRIBUTION CENTER SITE TOUR AND PREPROPOSAL CONFERENCE

A mandatory site tour of the WSLCB Distribution Center (DC) and preproposal conference will be held on Monday, **September 12, 2011**, at the DC located at: 4401 Marginal Way South, Seattle, Washington. A representative from each prospective Offeror **must** attend both venues. Failure to attend shall disqualify the firm from consideration for the contract.

WSLCB Distribution Center Site Tour. The mandatory site visit of the current WSLCB Distribution Center will be held beginning at 10 AM on September 12th and will take approximately 1-1/2 to 2 hours depending upon the number of questions. The site tour will be led by the WSLCB Distribution Center Director who will respond to questions. Other WSLCB staff may participate as well. This will be the only opportunity for proposers to view the DC.

Each tour participant is required to read and sign a pedestrian safety form prior to the tour. Also, a safety vest is required to be worn and will be provided by the DC, and no open footwear may be worn.

Preproposal Conference. The mandatory preproposal conference is scheduled to begin at 1:30 PM on September 12, 2011, in the Board Room located at the WSLCB Distribution Center. Parking is available at the site.

The purpose of the preproposal conference is to provide the opportunity for clarification of the RFP. Answers provided at the preproposal conference will be considered tentative. Throughout the Question and Answer period noted in the RFP Schedule, firms may submit questions in writing to the RFP Coordinator. Addenda will be issued with answers to all questions asked about the RFP, both during the preproposal conference and

throughout the Question and Answer period. AGENCY will be bound only to AGENCY'S written answers to questions.

A copy of the questions and answers will be posted in the form of an addendum on the OFM web site at <http://www.ofm.wa.gov/contracts/procurement/postings.asp> and on GA's WEBS: <http://www.ga.wa.gov/webs/>.

3.5 SUBMISSION OF PROPOSALS

Proposals must be **received by the RFP Coordinator** no later than **12:00 Noon**, Pacific Daylight Time, on **Friday, September 30, 2011**, at the address cited in Paragraph 3.2, and must be clearly labeled, "RFP COORDINATOR".

Offerors should allow sufficient time to ensure timely receipt of their proposal by the AGENCY. Late proposals will not be accepted and will be automatically disqualified from further consideration. All proposals and any accompanying documentation become the property of the AGENCY and will not be returned.

Proposals must be written in English and submitted **both via hard copy and in electronic format**. Proposals may not be transmitted using email or facsimile transmission.

HARD COPY SUBMITTAL:

Submission shall include ten (10) identical and properly executed hard copy proposals—with one original--which shall be clearly identified as such. The proposal shall be broken into three separate sections, according to the major sections of the RFP as set forth below. The three sections will be evaluated separately and therefore shall be bound separately.

1. Business Section

The Letter of Submittal and Certifications and Assurances (Exhibit A to this RFP) shall be included with the Business Section.

2. Qualifications Section; and,

3. Financial Section.

Each original or copy shall be clear and legible, printed in ink. Each of the three major sections is to be securely bound and clearly labeled. The proposal shall be sequentially numbered to correspond with the numbering in this RFP.

Each proposer shall also submit a CD-Rom containing the proposal with the financial information on a separate, clearly labeled CD.

ELECTRONIC COPY SUBMITTAL:

An electronic copy of the entire proposal must be submitted in Microsoft Word on a universal serial bus (USB) flash or "thumb" drive. It should be enclosed in a separate envelope clearly labeled with the firm's name and marked, "RFP 12-200 Warehousing and Distribution of Liquor".

The proposal may contain whatever supportive materials are considered necessary, provided that all materials are clearly referenced and indexed.

Proposers shall be given a dated and time-stamped receipt when their submission is logged in at OFM.

3.6 PROPRIETARY INFORMATION/PUBLIC DISCLOSURE

Proposals submitted in response to this competitive procurement shall become the property of the AGENCY. All proposals received shall remain confidential until the contract, if any, resulting from this RFP is signed by the Administrative Director of the WSLCB, or her Designee, and the apparent successful Contractor; thereafter, the proposals shall be deemed public records as defined in Chapter 42.56 of the Revised Code of

Washington (RCW). Proposals will be provided to members of the evaluation teams, the Liquor Distribution Advisory Committee members and one staff for each member, subject to signature by each of a Confidentiality/Non-disclosure Agreement.

Any information in the proposal that the Offeror desires to claim as proprietary and exempt from disclosure under the provisions of Chapter 42.56 RCW, or other state or federal law that provides for the nondisclosure of your document, must be clearly designated. The information must be clearly identified and the particular exemption from disclosure upon which the Offeror is making the claim must be cited. Each page containing the information claimed to be exempt from disclosure must be clearly identified by the words "Proprietary Information" printed on the lower right hand corner of the page. Marking the entire proposal exempt from disclosure or as Proprietary Information will not be honored.

If a public records request is made for the information that the Offeror has marked as "Proprietary Information," the AGENCY will notify the Offeror of the request and of the date that the records will be released to the requester unless the Offeror obtains a court order enjoining that disclosure. If the Offeror fails to obtain the court order enjoining disclosure, the AGENCY will release the requested information on the date specified. If a Offeror obtains a court order from a court of competent jurisdiction enjoining disclosure pursuant to Chapter 42.56 RCW, or other state or federal law that provides for nondisclosure, the AGENCY shall maintain the confidentiality of the Offeror's information per the court order.

3.7 SMALL BUSINESS AND MINORITY & WOMEN-OWNED BUSINESS PARTICIPATION

The state of Washington encourages participation in all of its contracts by small businesses and firms certified by the Office of Minority and Women's Business Enterprises (OMWBE). Participation may be either on a direct basis in response to this solicitation or on a subcontractor basis. However, no preference will be included in the evaluation of proposals, no minimum level of MWBE or small business participation shall be required as a condition for receiving an award, and proposals will not be rejected or considered non-responsive on that basis.

The established annual procurement participation goals for MBE is 10% and for WBE, 4%, for this type of project. These goals are voluntary. For information on OMWBE certified firms, offerors may contact OMWBE at 360/753-9693 or <http://www.omwbe.wa.gov>. For information on other small businesses, firms may utilize the Department of General Administration's electronic bid notification system, WEBS, located at: <http://www.ga.wa.gov/business/3start.htm>.

3.8 ACCEPTANCE PERIOD

Proposals must provide 150 days from the due date for receipt of proposals for acceptance by the AGENCY and/or the WSLCB, including the contract negotiation phase.

3.9 RESPONSIVENESS

All proposals will be reviewed by the RFP Coordinator to determine compliance with administrative requirements and instructions specified in this RFP. The Offeror is specifically notified that failure to comply with any part of the RFP may result in rejection of the proposal as non-responsive.

The AGENCY also reserves the right at its sole discretion to waive minor technical or immaterial nonconformities and administrative irregularities.

Attached as Exhibit H is an Administrative Mandatories checklist to assist with ensuring responsiveness of the proposal.

3.10 MOST FAVORABLE TERMS

If a proposal is accepted for recommendation by OFM to the WSLCB and accepted by WSLCB, the WSLCB reserves the right to make an award without further discussion of the proposal submitted. Therefore, the proposal should be submitted initially on the most favorable terms which the Offeror can propose. There will be no best and final offer procedure.

The Offeror should be prepared to accept this RFP for incorporation into a contract resulting from this RFP. Contract negotiations may incorporate some or all of the Offeror's proposal. It is understood that the proposal will become a part of the official procurement file on this matter without obligation to the AGENCY or the WSLCB.

3.11 CONTRACT AND GENERAL TERMS & CONDITIONS OR LEASE AGREEMENT

The apparent successful contractor will be expected to enter into a contract with the WSLCB which is substantially the same as the sample contract and its general terms and conditions attached as Exhibit B and/or the lease agreement attached as Exhibit C. In no event is an Offeror to submit its own standard contract terms and conditions in response to this solicitation. The Offeror may submit exceptions as allowed in the Certifications and Assurances form, Exhibit A to this solicitation. All exceptions to the contract terms and conditions must be submitted as an attachment to Exhibit A, Certifications and Assurances form. The WSLCB will review requested exceptions and accept or reject the same at its sole discretion. Additionally, any resulting contract may include additional provisions provided that they are agreed to by the WSLCB.

Failure of the apparent successful contractor to reach agreement with WSLCB on contractual terms and conditions will result in cancellation of the selection as described in this RFP.

Any contract awarded shall be considered "long-term" in duration. For the purposes of this RFP, "long-term" is considered approximately ten (10) years from the start of work. Options to extend the contract, and/or lease agreement, will be based on an analysis agreed upon between WSLCB and OFM that determines the duration and terms most cost-beneficial to the state of Washington.

Any contract awarded as a result of this solicitation will contain provisions that the WSLCB will maintain the exclusive authority to select products and determine which products will be carried in state and contract liquor stores.

3.12 COSTS TO PROPOSE

The AGENCY will not be liable for any costs incurred by the Offeror in preparation of a proposal submitted in response to this RFP, in conduct of a presentation, or any other activities related to responding to this RFP

3.13 NO OBLIGATION TO CONTRACT

This RFP does not obligate the state of Washington or the WSLCB to contract for services specified herein. If no proposals submitted are determined by OFM to be in the best interest of the State, OFM will recommend to the WSLCB not to accept any of the proposals.

3.14 REJECTION OF PROPOSALS

The AGENCY reserves the right at its sole discretion to reject any and all proposals received without penalty and not to issue a contract as a result of this RFP.

4. QUALIFICATIONS SECTION

The Qualifications Section of the proposal should convey to members of the Qualifications Evaluation Team the firm's depth of experience and qualifications to successfully undertake this project. It must also demonstrate by clear and comprehensive answers that the firm has qualified, experienced staff to provide a successful transition and to manage the scope of services well and effectively into the future. Response to the Qualifications Section requires completion of the Qualifications Questionnaire, attached as Exhibit D. Primary content in the Qualifications Questionnaire is included below.

4.1 PROJECT MANAGEMENT (SCORED)

Structure/ Internal Controls - Provide a description of the proposed project team structure, internal controls to be used during the course of the project, including any subcontractors. Include who within the firm will have prime responsibility and final authority for the work.

Provide an organizational chart of your firm indicating lines of authority for personnel involved in performance of this potential contract and relationships of this staff to other programs or functions of the firm. This chart must also show lines of authority to the next senior level of management.

4.2 EXPERIENCE OF THE OFFEROR (SCORED)

Include details of the Offeror's and any subcontractors' experience with the following areas:

- Warehousing and large-scale (statewide) wholesale distribution of retail products and controlled substances. Include projects where the size and scope are similar to the size and scope of this project. Include number of years the firm has with warehousing and distribution.
- Converting from a public-managed warehousing and distribution center to a privately operated and managed one.
- Inventory Management
- Demand Management
- Delivery Management

Include which and how much of the above experience is with a public partner.

Indicate other relevant experience that indicates the qualifications of the Offeror, and any subcontractors, for the services described.

4.3 EXPERIENCE OF THE PROJECT TEAM (SCORED)

Include qualifications of the Project Team, those individuals who will be responsible for managing the project for the apparent successful contractor, including, but not limited to, the manager, or project lead, and other key staff being proposed who will be directly responsible for the implementation and operation of the warehousing and distribution services described in this RFP. Include the same types of experience as referenced in 4.2 for the Offeror. Include a resume for each member of the team that reflects his/her qualifications and experience.

4.4 EMPLOYMENT FOR CURRENT WSLCB STATE EMPLOYEES (MANDATORY)

Include a commitment and plan to offer employment to the WSLCB state employees currently in positions relating to the warehousing and distribution of liquor. Also include a commitment to recognize and bargain with any existing bargaining representative of such employees with respect to terms and conditions of employment.

4.5 FINANCIAL CAPABILITY (SCORED)

Submit documentation that provides sufficient information to verify and evaluate the solvency of the Offeror to conduct the large-scale operation described in this RFP. At a minimum, the Offeror shall include:

- 1) a copy of its audited annual financial statement for the company for the past three years or the equivalent. The audited financial statement must be prepared by a Certified Public Accountant who certifies the financial statement meets the requirements of Generally Accepted Accounting Practices; or,
- 2) current financial statements for the principals of the Offeror; or,
- 3) other valid, certified, pertinent financial documentation.

If requested, indicate the firm's willingness to provide a contract bond in an amount sufficient to guarantee performance of the contract.

4.6 RELATED INFORMATION (MANDATORY)

1. If the Offeror has had a contract terminated for default in the last five years, describe such incident. Termination for default is defined as notice to stop performance due to the Offeror's non-performance or poor performance and the issue of performance was either: (a) not litigated due to inaction on the part of the Proposer, or (b) litigated and such litigation determined that the Proposer was in default.
2. Submit full details of the terms for default including the other party's name, address, and phone number. Present the Offeror's position on the matter. The AGENCY will evaluate the facts and may, at its sole discretion, reject the proposal on the grounds of the past experience. If no such termination for default has been experienced by the Offeror in the past five years, so indicate.

4.7 REFERENCES (MANDATORY)

List names, email addresses and telephone numbers of three (3) business references for the Offeror for whom work similar to that requested herein has been accomplished and describe the types of services provided.

List names, email addresses and telephone numbers of three (3) business references for the Project Manager for whom work similar to that requested herein has been accomplished and describe the types of services provided.

By submitting a proposal in response to this Request for Proposals, the Offeror grants permission to AGENCY to contact these references and others, who from AGENCY'S perspective, may have pertinent information regarding the services required by this RFP. The AGENCY may contact and score references at the AGENCY'S discretion.

4.8 OMWBE AND SMALL BUSINESS PARTICIPATION (OPTIONAL AND NOT SCORED)

Offerors are encouraged to include in their proposals participation by small businesses and/or firms certified by the Washington State Office of Minority and Women's Business Enterprises (OMWBE). Include proof of certification if certified minority-owned firm and/or women-owned firm(s) will be participating on this project. For information: <http://www.omwbe.wa.gov>. Firms may conveniently locate available small businesses through use of the Department of General Administration's electronic bid notification system, WEBS, located at: <http://www.ga.wa.gov/business/3start.htm>.

4.9 COMMERCIAL INSURANCE (MANDATORY)

The Offeror, if selected as the apparent successful contractor, will be expected to furnish the WSLCB with a certificate(s) of insurance executed by a duly authorized representative of each insurer, showing compliance with the insurance requirements set forth below.

The Contractor shall, at its own expense, obtain and keep in force insurance coverage which shall be maintained in full force and effect during the term of the contract. The Contractor shall furnish evidence in the form of a Certificate of Insurance that insurance shall be provided, and a copy shall be forwarded to the WSLCB within fifteen (15) days of the contract effective date.

Liability Insurance

- 1) **Commercial General Liability Insurance:** Contractor shall maintain general liability (CGL) insurance and, if necessary, commercial umbrella insurance, with a limit of not less than \$1,000,000 per each occurrence, and up to \$2,000,000 aggregate for each policy period. If CGL insurance contains aggregate limits, the General Aggregate limit shall be at least twice the "each occurrence" limit. CGL insurance shall have products-completed operations aggregate limit of at least two times the "each occurrence" limit. CGL insurance shall be written on ISO occurrence from CG 00 01 (or a substitute form providing equivalent coverage). All insurance shall cover liability assumed under an insured contract (including the tort liability of another assumed in a business contract), and contain separation of insureds (cross liability) condition.

Additionally, the Contractor is responsible for ensuring that any subcontractors provide adequate insurance coverage for the activities arising out of subcontracts.

- 2) **Property Insurance/Business Interruption Policy:** The WSLCB warehouse is valued at \$30 million and insured against weather, earthquake and flood. Contents of the warehouse are currently valued at \$31.8 million for the same risks. Comparable insurance coverage would be required for use of the facility. Current business interruption insurance is maintained for up to \$42 million to cover the contents of the warehouse and loss of revenue from loss of business. Comparable insurance is required.
- 3) **Business Auto/Truck Policy:** As applicable, the Contractor shall maintain business auto liability and, if necessary, commercial umbrella liability insurance with a limit not less than \$5,000,000 per accident. Such insurance shall cover liability arising out of "Any Auto." Business auto coverage shall be written on ISO form CA 00 01, 1990 or later edition, or substitute liability form providing equivalent coverage.
- 4) **Employers Liability ("Stop Gap") Insurance:** In addition, the Contractor shall buy employers liability insurance and, if necessary, commercial umbrella liability insurance with limits not less than \$1,000,000 each accident for bodily injury by accident or \$1,000,000 each employee for bodily injury by disease, with coverage up to \$2,000,000 aggregate.

Additional Provisions

Above insurance policy shall include the following provisions:

1. **Additional Insured.** The state of Washington, Washington State Liquor Control Board, its elected and appointed officials, agents and employees shall be named as an additional insured on all general liability, excess, umbrella and property insurance policies. All insurance provided in compliance with this contract shall be primary as to any other insurance or self-insurance programs afforded to or maintained by the state.
2. **Cancellation.** State of Washington, Liquor Control Board, shall be provided written notice before cancellation or non-renewal of any insurance referred to therein, in accord with the following specifications. Insurers subject to 48.18 RCW (Admitted and Regulation by the Insurance Commissioner): The insurer shall give the state 45 days advance notice of cancellation or non-renewal. If cancellation is due to non-payment of premium, the state shall be given 10 days advance notice of cancellation. Insurers subject to 48.15 RCW (Surplus lines): The state shall be given 20 days advance notice of cancellation. If cancellation is due to non-payment of premium, the state shall be given 10 days advance notice of cancellation.
3. **Identification.** Policy must reference the state's contract number and the agency name.

Insurance Carrier Rating. All insurance and bonds should be issued by companies admitted to do business within the state of Washington and have a rating of A-, Class VII or better in the most recently published edition of Best's Reports. Any exception shall be reviewed and approved by WSLCB's Risk

Manager, or the Risk Manager for the state of Washington, before the contract is accepted or work may begin. If an insurer is not admitted, all insurance policies and procedures for issuing the insurance policies must comply with Chapter 48.15 RCW and 284-15 WAC

- 5) **Excess Coverage.** By requiring insurance herein, the state does not represent that coverage and limits will be adequate to protect Contractor, and such coverage and limits shall not limit Contractor's liability under the indemnities and reimbursements granted to the state in this contract.

Worker's Compensation Coverage

The Contractor will at all times comply with all applicable workers' compensation, occupational disease, and occupational health and safety laws, statutes, and regulations to the full extent applicable. The state will not be held responsive in any way for claims filed by the Contractor or their employees for services performed under the terms of this contract.

Contractor shall submit renewal certificates on a yearly basis during the term of the contract.

5. BUSINESS SECTION

The Business Section of the proposal should convey to members of the Business Evaluation Team the firm's understanding of the project and must demonstrate by clear, complete, and comprehensive answers in the Business Questionnaire that the firm could successfully undertake the project based on appropriate knowledge, skills, resources and business acumen.

Response to the Business Section requires submittal of:

- Letter of Submittal with the requirements described in Paragraph 5.1;
- Completed Certifications and Assurances form, attached as Exhibit A; and,
- Completed Business Questionnaire attached as Exhibit E to this RFP.

5.1 LETTER OF SUBMITTAL (MANDATORY)

The Letter of Submittal and the attached Certifications and Assurances form (Exhibit A to this RFP) must be signed and dated by a person authorized to legally bind the Offeror to a contractual relationship, e.g., the President or Executive Director if a corporation, the managing partner if a partnership, or the proprietor if a sole proprietorship. Along with introductory remarks, the Letter of Submittal is to include the following information about the Offeror and any proposed subcontractors:

1. Name, address, principal place of business, telephone number, and fax number/e-mail address of legal entity or individual with whom contract would be written.
2. Name, address, and telephone number of each principal officer (President, Vice President, Treasurer, Chairperson of the Board of Directors, etc.)
3. Legal status of the Offeror (sole proprietorship, partnership, corporation, etc.) and the year the entity was organized to do business as the entity now substantially exists.
4. Federal Employer Tax Identification number and the Washington Uniform Business Identification (UBI) number issued by the state of Washington Department of Revenue. If the Offeror does not have a UBI number, the Offeror must state that it will become licensed in Washington within thirty (30) calendar days of being selected as the Apparently Successful Contractor.
5. Location of the facility from which the Offeror would operate.
6. Identify any state employees or former state employees employed or on the firm's governing board as of the date of the proposal. Include their position and responsibilities within the Offeror's organization. If following a review of this information, it is determined by the AGENCY that a conflict of interest exists, the Offeror may be disqualified from further consideration for the award of a contract.

5.2 BUSINESS QUESTIONNAIRE (SCORED)

The Business Questionnaire, attached as Exhibit E, includes questions and requests for information related to the subjects below. Answers in the questionnaire should be clear and comprehensive and contain sufficient detail to convey to the members of the evaluation team, the Offeror's knowledge of the subjects and skills necessary to successfully engage in this project.

5.2.1 Project Approach/Methodology – Include a description of the Offeror's proposed approach and methodology to improve current liquor warehousing and distribution operations in the state of Washington. Include what services you are proposing that could not otherwise be provided by WSLCB.

The Offeror may choose to propose use of the State's existing warehouse or not. A site tour of the current Distribution Center is scheduled for 10 AM on September 12, 2011, and is mandatory for Offerors. See Section 3.4 for more details on the site tour.

5.2.2 Business Plan – Describe your firm's business plan for accomplishing this project. Include all proposed services, resources, tasks and activities, etc. necessary to undertake the scope defined in this RFP. Items below are to be specifically covered, but additional categories may be included that demonstrate the Offeror's understanding of the project.

Improved Liquor Distribution. Include a complete explanation of your firm's commitment and approach to improved distribution including, but not limited to, the following:

1. logistics and delivery improvements to improve margins; margins may be improved through reduced costs associated with the distribution function.
2. approach to ensure regularity of deliveries to state or contract liquor stores;
3. to reduce out-of-stock problems; current retail out-of-stock rate is less than 1%; NOTE: While the WSLCB will maintain the exclusive authority to select products and determine which products will be carried in state and contract liquor stores, the Contractor shall be responsible for supply management functions within their span of influence and control.
4. way(s) to improve service to stores located in geographically remote areas of the state;
5. that the variety of brands and types of liquor available to licensees, contract liquor stores, and state liquor stores will be equal to or greater than what is being made available by the Washington State Liquor Control Board;
6. approach to provide option for bottle, rather than minimum case, purchasing and stocking of state or contract liquor stores, if practicable.
7. delivery methods whether standard pallet, multi-case by hand-truck, or others, as differentiated by outlet location, e.g., some outlets cannot accommodate standard pallet deliveries.
8. Secondary or alternate delivery to correct missed shipments, out-of-stocks, or non-shipped items.

While the WSLCB will maintain the exclusive authority to select products and determine which products will be carried in state and contract liquor stores, the Contractor shall be responsible for supply management functions within their span of influence and control. This includes order fulfillment within established lead times. Contractor shall be responsible for working with State designated liquor suppliers and use all reasonable efforts with those suppliers to meet the needs of the State in a timely, efficient, and low cost manner. The Contractor shall be responsible for monitoring and reporting to the State, the performance of State designated liquor suppliers, relative to their inbound supply function. The WSLCB uses supplier performance as a factor of influence when making business decisions. The State is not looking for private sector guidance on product listing.

Inventory Management. Provide your approach to inventory management, including but not limited to, the following:

1. Inventory levels
2. In-stock products or out-of-stocks
3. Availability of products
4. Special orders

5. One-time purchases
6. Holiday gift packs
7. Safeguarding of product from theft and damage.

The Distribution Center currently has 155 items in split case, with the following classifications:

New 750 mL spirit products will be placed in split case if it is:

- Higher than \$30 retail, and in a 12 pack case
- Higher than \$60 retail in a six-pack or 12 pack case

Existing 750 mL spirit products will be placed in split case if it is:

- Higher than \$30 retail, and in a 12 pack case, selling less than 50 cases/month
- Higher than \$60 retail in a six-pack or 12 pack case, selling less than 50 cases/month

New or existing wine products will be placed in split case if it is:

- Above \$15.00, and sells less than 50 cases.

Any item available in split case can be ordered in quantities of 49% or less than the full case quantity. For example, products in a 12 unit case can be ordered 5 units or less. If 6 units are ordered, the system automatically increases the order to full case. If the product is in a 24 unit case, if more than 11 bottles are ordered, the system increases the order to a full case.

Demand Management. Describe how you intend to meet the needs of demand management. An adequate inventory demand management plan would include, but not be limited to, the following:

1. In-bound logistics
2. Out-bound logistics
3. Out-of-stocks
4. Adequate inventory levels
5. Special orders
6. Fulfilling product requests of retail outlets
7. Inventory turns.

Items contained within the above should adequately describe how Offeror intends to meet or exceed current expectations at the retail outlets described in Section 2.2. In addition, proposed solutions should address the ability to support current inventory turns/expectations (8-12 turns per year).

Current distribution performance allows the WSLCB to achieve retail inventory turns between 8 and 12 per year. Both State and Contract stores are expected to manage inventory turns against established targets. The Contract Store agreement addresses maintenance of inventory turns. By negotiated labor contract, State Store Managers do not have incentives or penalties for inventory turns.

Delivery Management. Provide the firm's commitment, if selected as the apparent successful contractor, to establish a delivery schedule with WSLCB that strikes a balance between the preference of the outlets and an efficient transportation schedule. Include routing; proposed deliveries per week; any subcontractor relationships that may result from your proposed solution for delivery management; and how to address delivery restrictions, e.g, time of day, street access restrictions, etc.

Work Flow Chart. Include a Project Work Flow Chart indicating how the anticipated work flow will be conducted by your firm. Attached as Exhibit F is the current WSLCB work process flow chart for comparison.

Stakeholder Relationships. Describe how your firm formalizes and implements business stakeholder relationships, such as those that may directly or indirectly be impacted by your proposed solution. [Example: WSLCB currently maintains four private sector carrier agreements estimated at \$10 million annually.] Your formal process may include, but not be limited to, a communication strategy and tactical business approach to ensure that continuity of service is achieved and documents exist to reflect this relationship. Describe your approach to establishing and maintaining these business relationships. Include what types of contract documents your firm utilizes, e.g., memoranda of understanding, lease agreements, service level agreements, etc.

Include a description of your problem resolution process with your stakeholders. Describe how you would implement the resolution process on this project and what its impact would be on WSLCB, suppliers, licensees, and other contractors.

WSLCB's primary stakeholder relationships associated with the distribution function include the union (WPEA) and industry (DRAW). Union relationships are largely guided by negotiated collective bargaining agreements. Periodic union/management communication meetings are held to discuss areas of interest. The relationship with industry is also managed through regular business meetings where areas of common interest are discussed. Stakeholders are given opportunities to comment on business strategies, board policies and operational improvement projects.

Implementation Plan. Describe your approach to implementing your proposed solution. The plan may include the following elements:

1. impacts to WSLCB, suppliers, licensees, and other contractors;
2. timeline with proposed start and end dates and associated activities;
3. internal and external resources needed; and
4. any other applicable elements.

Performance Measures. Provide clear, quantifiable, measurable standards for the performance of the contract that the Offeror proposes to achieve as a result of the delivery of these services. Include how these outcomes would be monitored, measured and reported to the WSLCB.

Performance measures currently in use by the WSLCB are intended to be used under this contract, unless others are negotiated between the parties. Those performance measures are:

1. Distribution Center Fill Rate – 97% of ordered volume.
2. Cost per case defined as total shipped volume compared to total operating expense.
3. Distribution cost as a percentage of sales less than 2.4%.
4. Inbound receiving, scheduled for a door appointment, no more than two days out.
5. Inventory accuracy variance, less than .0008%.

Offerors may propose other performance measures.

Risks. Identify potential risks that you consider significant to the success of this project. Include how the Offeror would propose to effectively monitor, mitigate and manage these risks, including reporting of risks to the WSLCB Contract Manager.

Business Continuity. Explain how you would provide for business continuity as the result of a natural or man-made disaster or other catastrophic event. Include what back-up capacity you have in operations, in information technology, and other areas. Explain support you could provide during a major interruption of services, and whether you have any alternative locations and emergency transportation plans you could use for liquor products.

Customer Service. Explain how the Offeror will provide customer service for its customers under this project. For example, WSLCB currently operates a help desk.

Controlled Substance. Spirits are considered a controlled substance and, accordingly, must be protected by law. Explain what processes you will implement to ensure protection of controlled substance from loss due to fraud, internal and external, and theft.

Alternative Innovative Approach. The State of Washington is interested in creative and innovative approaches. Offeror may present any such approaches that they consider appropriate for the warehousing and distribution of liquor in Washington state. Offeror must fully explain the approach and provide any applicable relevant and supporting documentation. Alternative approaches must be cost effective and result in net revenue gain to the State.

In addition, a proposal may include offers to assist WSLCB in its overall business with items such as store improvements, marketing assistance, etc.

Ramp-up Capability. If your firm is not currently engaged in a statewide distribution system including large-scale warehousing and transportation services, explain how you would propose to ramp-up to efficiently engage in such a large-scale operation.

6. FINANCIAL SECTION

The Offeror must clearly demonstrate the financial capacity to perform the services set forth in this RFP. The Financial Section must demonstrate a net “**positive financial benefit to the state and local government**” over the term of the proposed lease or contract and that it is in the best interest of the State.

Evaluation of the Financial Section will be accomplished by a team of financial analysts. To satisfy the requirements for the Financial Section, Offerors shall:

- 1) include detailed explanation, plus charts and spreadsheets as applicable, for each of the below topics; and
- 2) complete the Cost Spreadsheet attached as Exhibit G for Item 6.6.

6.1 DEFINITION OF NET POSITIVE FINANCIAL BENEFIT TO THE STATE AND LOCAL GOVERNMENT AND CRITERIA

Net “positive financial benefit to the state and local government” is based on attached Exhibit G, and the degree to which a firm can show a better return to the State at something higher than Line 12, the baseline figure displayed as “Available to Distribute”. Any increase must be directly attributable to the warehousing and distribution operation of the Offeror.

Evaluation factors for the Financial Section that will be considered as part of determining the net positive financial benefit to the state and local government are:

- Financial commitment and ability to strengthen State’s revenue base from sale of alcohol;
- Feasibility and soundness of Offeror’s financial estimates and projections;
- Validity of financial assumptions and estimates;
- Cost of funds over the life of the contract as determined through the application of an appropriate discount rate.

6.2 FINANCIAL PLAN (SCORED)

The Offeror is to submit a fully detailed budget for the costs for the next ten years associated with the operation of liquor warehousing and distribution throughout the state of Washington as described in this RFP. Include sufficient explanation of the projections for the evaluators to evaluate the numbers. Total cost of ownership elements are to be included showing both direct and indirect costs of the Offeror in operating liquor warehousing and distribution. Use the Cost Spreadsheet included as Exhibit G to set forth the costs and projected net revenues. WSLCB’s projected costs are included on the spreadsheet for years 2012 through 2022. Offerors may add fields to the spreadsheet to clearly set forth their cost information.

Also provide a ten-year projection for business and occupation and liquor tax revenues based on the proposal. Contractors are required to collect and pay Washington state sales and use tax and federal taxes, as applicable. Currently, the bottle cost charged by suppliers includes the required federal excise tax.

6.3 UP-FRONT PAYMENT AND ESCROW DEPOSIT (SCORED)

Offeror must affirmatively state their readiness and financial capacity, if selected as the successful contractor, to provide an initial up-front payment in U.S. dollars to the State of Washington during the 2011-2013 biennium. They must state the dollar amount of the up-front payment. Offeror shall also state their preparedness to deposit into an escrow account, within fifteen business days after the announcement of selection of its proposal and definitive resolution of any appeals to such selection, the full amount of the initial up-front payment offered

in their proposal to this RFP. Terms of the escrow agreement will be mutually agreed upon between the WSLCB and the apparent successful contractor.

If the up-front payment is One Hundred Million Dollars (\$100,000,000) or more, as a result of acceptance of a proposal from this procurement process, the resultant contract will provide that the private entity place the payment into an irrevocable trust with the State of Washington being the beneficiary. The trust shall be created in such a manner that the State may not receive more than one-sixth of the up-front payment placed into the trust in any fiscal year.

6.4 PROFIT-SHARING (SCORED)

Provide detailed analysis and quantify Offeror's proposed profit-sharing payments to the State. Quantify the profit-sharing plan proposed. An example could be a base amount plus a percentage.

6.5 RETAIL PROFITS (SCORED)

Estimate proposed changes to retail profits generated as a result of the executed lease or contract. Justify the growth assumptions. WSLCB's retail liter sales are based on 2.7% annual growth.

6.6 COMMITMENT TO INVEST IN CAPITAL IMPROVEMENTS (SCORED)

Include a quantified commitment to invest in capital improvements to warehousing and distribution facilities and a mechanism to ensure that such investments are made timely and consistent with a mutually acceptable lease or contract. The Offeror may submit an alternative approach to capital improvements as long as the approach results in a financial benefit to the State.

If a lease for the DC facility is executed, any capital improvements to the facilities or assets require advance written approval of the WSLCB. That approval will be based in part on the Contractor's proposed terms of ownership and WSLCB's payment obligations, if any. Upon expiration of any lease, the WSLCB will determine the net financial benefit of any capital improvements based on the nature, necessity and measurable results of the improvement(s).

6.7 OTHER FACTORS RELATED TO FINANCIAL PROPOSAL

The Offeror is to acknowledge in their Financial Proposal that they understand and acknowledge acceptance of the below conditions:

6.7.1 Costs to State. The modernization proposed by the Offeror may likely include costs that directly impact the State. It is the intent of the WSLCB to bear no direct or indirect costs associated with an Offeror's proposed solution. Any cost impact to the State as a result of an Offeror's proposed solution will be borne by the Contractor.

6.7.2 WSLCB Sets Prices. Any contract awarded as a result of this solicitation will contain provisions that the WSLCB must set the prices of liquor for sales in state and contract liquor stores as well as sales to licensees.

6.7.3 Financial Deficiencies or Losses. Any contract awarded as a result of this solicitation will contain a provision that any financial deficiencies or losses of the private entity contracting for the warehousing and distribution of liquor in the state must not be compensated for in any way by the State of Washington, contract stores, consumers, or licensees.

6.7.4 Electronic Fund Distribution. The firm should have the ability to provide electronic funds transfer of payments to the WSLCB. Include what that process would be.

7. EVALUATION AND CONTRACT AWARD

7.1 EVALUATION PROCEDURE

Responsive proposals will be evaluated strictly in accordance with the requirements stated in this solicitation and any addenda issued. The evaluation of proposals shall be accomplished by three evaluation teams—Qualifications, Business, and Financial—representing each applicable section of the proposal. The AGENCY will designate the members to serve on the evaluation teams.

AGENCY reserves the option to request clarifications or additional information from all proposers prior to completion of the evaluation process. This process will not include an opportunity to alter any proposal.

Items in Section 3, Proposal Contents, marked “mandatory” must be included as part of the proposal for the proposal to be considered responsive. Items marked “scored” are those that are awarded points as part of the evaluation conducted by the evaluation team.

Evaluation of proposals is a three-step process, as follows:

1. **Evaluation of Written Responses to Qualifications Questionnaire.** The Qualifications Section of the proposals, as submitted on the Qualifications Questionnaire, will be evaluated first. In order to advance to the next step of the evaluation, an Offeror must achieve a minimum score of 30 out of a total of 40 points for the Qualifications section.
2. **Evaluation of Responses to Business and Financial Sections.** Those proposals that meet or exceed the minimum scoring for the Qualifications Section will proceed to the second—scoring of the Business and Financial Sections of the proposals. The Business and Financial Sections will be evaluated and scored. The scores from those sections and the score from the Qualifications section will be tallied to determine the top-scoring firms. Only the top-scoring firm(s) will proceed to the next step. At this point, a confidential briefing of the results from the first two steps in the evaluation process will be provided to the Liquor Distribution Advisory Committee.
3. **Oral Presentations and Site Tours (if applicable).** The top-scoring firms from the written evaluation process, including scoring from the Qualifications, Business, and Financial sections, will move forward to an oral presentation. The RFP Coordinator will contact the top-scoring firms to schedule the oral presentation. After conduct of the oral presentation(s), the evaluation team members who participated in the oral presentations will conduct a ranking of the finalists, considering all elements of the evaluation. They may choose to contact references before this ranking. If a site tour is determined applicable, the RFP Coordinator will contact the firm(s) for scheduling. After conduct of the site tour(s), if any, and references, if contacted, the evaluation committee will determine the final ranking of Offerors. This final ranking will determine the apparent successful contractor.

7.2 ORAL PRESENTATIONS AND SITE VISITS, IF REQUIRED

The oral interview will provide opportunity for the proposer to present its proposal and to answer specific questions posed by the oral evaluation team. The AGENCY will expect that the Project Manager or lead and members of the Project Team, as well as others determined by the firm, will participate in the oral presentation. Commitments made by the Offeror at the oral interview, if any, will be considered binding.

In addition, a site visit may be conducted of the top-ranked finalist’s current operations or of the top two or three ranked firms, as determined appropriate by the evaluation committee. The site visit(s) would be conducted to verify the suitability of an Offeror’s facility and transportation operations center. Evaluators may also conduct site visits to other Offeror’s sites. If the site tour is requested, Offeror(s) shall make their premises and operations available for tour and review by the evaluation team. The on-site review, if any, shall, among other factors, determine the accuracy and adequacy of the Offeror’s representation of its premises and operation. If the evaluation team finds that a response clearly does not reflect the physical reality of the actual premises and operation to the extent that the mandatory requirements of the RFP are not met on inspection, then that Proposer will be ranked accordingly.

7.3 EVALUATION TEAMS

Three evaluation teams will be utilized to evaluate the proposals—one each for the Qualifications, Business, and Financial sections. The Qualifications team will score first, followed by the Business and Financial teams who will score simultaneously. Once scoring is completed for all three sections, based on the written proposals received, the top-scoring proposals will be forwarded to the next-level evaluation team who will conduct the oral presentations and any site visits. This final oral evaluation team will be comprised of members from each of the three initial evaluation teams. That team will then rank the firms based on all elements of the evaluation process, including the written proposals, the oral presentations, references, if used, and the site visit, if applicable. They will then make a determination of the apparent successful contractor to the AGENCY.

The AGENCY will consult with the WSLCB, representative(s) from local government, and the Liquor Distribution Advisory Committee regarding the award decision. Following that activity, the AGENCY will make a public award announcement, either of the apparent successful contractor or not to make an award.

7.4 EVALUATION WEIGHTING AND SCORING

The following weighting and points will be assigned to the proposals for evaluation purposes:

PROPOSAL SECTIONS	%	POINTS
QUALIFICATIONS SECTION – Maximum 40 Points <i>The below three items will be scored based on responses provided in the Qualifications Questionnaire (Exhibit D).</i>	14%	
Project Management – Structure/Internal Controls		10
Experience of the Offeror		20
Experience of the Project Team		10
BUSINESS SECTION - Maximum 95 Points <i>The below two items will be scored based on responses provided in the Business Questionnaire (Exhibit E).</i>	31%	
Project Approach/Methodology		15
Business Plan		80
FINANCIAL SECTION – Maximum 165 Points <i>The below items will be scored cohesively and not as single elements from the standpoint of net “positive financial benefit” to the state and local government.</i>	55%	
Financial Plan		
Up-Front Payment and Escrow Deposit		
Profit-Sharing		
Retail Profits		
Commitment to Invest in Capital Improvements		
		165
TOTAL	100%	300

7.5 RANKING OF ORAL PRESENTATIONS AND SITE TOUR(S)

The firms who participate in the oral presentations will be ranked by the oral evaluation team following the presentations. The team will then determine if a site tour should be conducted and, if so, for just the top-finalist or for other top-ranked firms as well. The oral evaluation team will be evaluating the oral presentations based on the same elements as those utilized for the written evaluation process. The oral presentations, however, provide further opportunity for the team to ask clarifying questions about the firms' written proposals and to assess the firms' strength related to their written materials provided. The site tour, if conducted, is another way to validate the written proposals. References will be checked at the discretion of the oral evaluation team.

7.6 RECOMMENDATION TO WSLCB AND CONSULTATION WITH LOCAL GOVERNMENT AND THE LIQUOR DISTRIBUTION ADVISORY COMMITTEE (LDAC)

Upon completion of the evaluation process, OFM will consult with the WSLCB, representative(s) from local government, and the LDAC. OFM will then provide a recommendation for award or non-award to the Washington State Liquor Control Board. The WSLCB has sixty (60) days to accept or reject the OFM recommendation and, if accepted, to negotiate and award a contract to the apparent successful firm.

7.7 NOTIFICATION OF PROPOSERS

Upon completion of the evaluation process and notification by WSLCB of concurrence with OFM's recommendation to award a contract, the AGENCY will notify the Recommended, Apparently Successful Contractor of its selection via email. Individuals or firms whose proposals were not selected for further negotiation or award will also be notified by e-mail.

If the decision is made not to accept any of the proposals, all proposers will be immediately notified via email.

7.8 DEBRIEFING OF UNSUCCESSFUL PROPOSERS

Any Offeror who has submitted a proposal and been notified that they were not selected for contract award may request a debriefing. The request for a debriefing conference must be received by the RFP Coordinator within two (2) business days after the Unsuccessful Offeror Notification is e-mailed to the Offeror. Debriefing requests must be received by the RFP Coordinator no later than 5:00 PM, local time, in Olympia, Washington on the fifth business day following the transmittal of the Unsuccessful Offeror Notification. The debriefing must be held within two (2) business days of the request.

Discussion at the debriefing conference is limited to:

- Evaluation and scoring of the firm's proposal;
- Critique of the proposal based on the evaluation;
- Review of proposer's final score in comparison with other final scores without identifying the other firms.

Comparisons between proposals or evaluations of the other proposals will not be allowed. Debriefing conferences may be conducted in person or on the telephone and will be scheduled for a maximum of one hour.

7.9 PROTEST PROCEDURE

Protests may be made only by Offerors who submitted a response to this solicitation document. Protests must be filed within five business days after OFM's notification of "Recommended, Apparently Successful Contractor" to proposers and to the WSLCB and WSLCB's acceptance of the recommended proposal.

Grounds for the protest are limited to:

1. Claims that the recommendation by OFM and the acceptance by the WSLCB were arbitrary and capricious,
2. Errors in computing the scores.

Steps in the protest process are as follows:

1. Protest is submitted to the RFP Coordinator. The protest may be submitted by e-mail, but must then be followed by the document with an original signature.
2. The OFM Director has five days to render its decision on the protest and respond to the protestor either that the protest is without merit or that it is upheld.
3. If the AGENCY determines that the protest is without merit, and the protestor is not satisfied with the decision, protestor has five days after receipt of OFM's decision to appeal to the Superior Court of Thurston County by petition setting forth objections to the decision. A copy of the petition on appeal, together with notice that appeal has been taken must be served upon the Secretary of State, the Attorney General, the Office of Financial Management, the Washington State Liquor Control Board, and the respondent that submitted the recommended and accepted proposal.
4. The Superior Court must render its decision within ten days. The decision of the Superior Court is final.

WSLCB may not enter into a contract or lease with the recommended, apparent successful contractor until, or unless, the Superior Court rules in favor of the AGENCY. If there is no appeal to the contract award, the WSLCB and apparent successful contractor may begin contract negotiations as soon as feasible.

8. RFP EXHIBITS (ATTACHMENTS) AND WSLCB RESOURCE MATERIALS

ATTACHMENTS:

Included in this document-

- Exhibit A Certifications and Assurances
- Exhibit B WSLCB Contract Format including General Terms and Conditions
- Exhibit C Sample Lease Agreement

Separate attachments-

- Exhibit D Qualifications Questionnaire
- Exhibit E Business Questionnaire
- Exhibit F WSLCB Work Process Flow Chart
- Exhibit G Cost Spreadsheet
- Exhibit H Administrative Mandatories Checklist

WSLCB RESOURCE MATERIALS (on OFM's web site):

1. WSLCB Financial Data:
 - 2010 Annual Report
 - 2009-11 Business Plan
 - 2011 Distribution Center Audit Report
 - 2010 Distribution Center Audit Report
 - June 2010 Sales Volume Report
 - Retail and Distribution Center Expense Report
 - DRAFT Bottle Pricing Diagram
2. Performance Measures and Results
 - FY 2009-11 Strategic Plan
 - Business Enterprise GMAP Report – 4/26/11
3. Business Process Requirements
 - Summary of Warehouse Management System Operation
4. List of Stores
 - List of Stores By Liters Sold By Month
 - Retail and Contract Stores By Location
 - Store Map
 - Gross Sales for State and Contract Liquor Stores
5. Stock Keeping Units (SKU):
 - Special Order SKUs over 15 Cases
 - Product List (excluding Special Order Products)
 - Top 50 Spirit Sales in Order of Gross Profit – May 2011

6. Organizational Charts
 - Agency – July 2011
 - Distribution Center – June 2011
 - Purchasing Department
7. Discount Structure
 - Price and Distribution Sheets
 - Mark-up Formula Calculator – Retail Prices
 - Mark-up Tax Structure – Price & Distribution Sheets
8. Licensee Considerations
9. Logistics and Transportation
 - Current Delivery Schedule to Retail Stores/Shipping Volume by Day/Week - 6/2011
 - Distribution Center Sizing Survey
 - Ship History
10. Basic Services Overview
 - Distribution Center Operations
 - Receiving Advance Shipment Notice (ASN) a
 - Receiving ASN 2
 - Receiving Scheduler – Distribution Center
11. Relevant Statutes and Administrative Rules
 - RCW 66.08.030
 - RCW 66.08.050
 - RCW 66.08.070
 - WAC 314.37
 - WAC 314.76.15
12. Information Technology Systems in Place
 - Download Interface Overview
 - Upload Interface Overview

CERTIFICATIONS AND ASSURANCES

We make the following certifications and assurances as a required element of the proposal to which it is attached, understanding that the truthfulness of the facts affirmed here and the continuing compliance with these requirements are conditions precedent to the award or continuation of the related contract:

1. We declare that all answers and statements made in the proposal are true and correct.
2. The financial data have been determined independently, without consultation, communication, or agreement with others for the purpose of restricting competition. However, we may freely join with other persons or organizations for the purpose of presenting a single proposal.
3. The attached proposal is a firm Offeror for a period of 150 days following receipt, and it may be accepted by the WSLCB without further negotiation (except where obviously required by lack of certainty in key terms) at any time within the 150-day period.
4. In preparing this proposal, we have not been assisted by any current or former employee of the state of Washington whose duties relate or did relate to this proposal or prospective contract, and who was assisting in other than his or her official, public capacity. If there are exceptions to these assurances, I/we have described them in full detail on a separate page attached to this document.
5. We understand that the AGENCY will not reimburse us for any costs incurred in the preparation of this proposal. All proposals become the property of the AGENCY, and we claim no proprietary right to the ideas, writings, items, or samples, unless so stated in this proposal.
6. Unless otherwise required by law, the financial data which have been submitted have not been knowingly disclosed by the Proposer and will not knowingly be disclosed by him/her prior to opening, directly or indirectly, to any other Proposer or to any competitor.
7. We agree that submission of the attached proposal constitutes acceptance of the solicitation contents and the attached sample contract and general terms and conditions and/or lease. If there are any exceptions to these terms, we have described those exceptions in detail on a page attached to this document.
8. No attempt has been made or will be made by the Proposer to induce any other person or firm to submit or not to submit a proposal for the purpose of restricting competition.
9. We grant the AGENCY the right to contact references and others, who may have pertinent information regarding the ability of the Offeror and the lead staff person to perform the services contemplated by this RFP.
10. If any staff member(s) who will perform work on this contract has retired from the State of Washington under the provisions of the 2008 Early Retirement Factors legislation, his/her name(s) is noted on a separately attached page.

We (circle one) **are / are not** submitting proposed Contract exceptions. (See Section 3.11, Contract and General Terms and Conditions.) If Contract exceptions are being submitted, we have attached them to this form.

On behalf of the Offeror submitting this proposal, my name below attests to the accuracy of the above statements.

SIGNATURE OF OFFEROR

TITLE

DATE

PROPOSED DRAFT

**CONTRACT
BETWEEN
THE WASHINGTON STATE LIQUOR CONTROL BOARD
AND
[NAME OF CONTRACTOR]**

This Contract is made and entered into by and between the Washington State Liquor Control Board, hereinafter referred to as the "WSLCB" or "AGENCY", and the below named firm, hereinafter referred to as "CONTRACTOR,"

Name
Address
Phone:
E-mail Address

Washington State UBI No. _____

Federal ID No. _____

PURPOSE

Engrossed Substitute Senate Bill 5942, passed by the Washington State Legislature and signed by the Governor on June 15, 2011, states that it is in the public interest to seek revenue opportunities through leasing and modernizing the state's liquor warehousing and distribution facilities and related operations. The purpose of this contract is to grant CONTRACTOR such exclusive rights to warehouse spirits and to distribute spirits in the state of Washington in exchange for such revenues to the state of Washington as are detailed herein. Further, the CONTRACTOR is expected to modernize the entire State of Washington Liquor Control Board liquor warehousing and distribution business, including the facilities, operations, and other assets associated with the warehousing and distribution of liquor.

WSLCB MAINTAINS RIGHTS

Notwithstanding anything to the contrary herein, the WSLCB maintains the exclusive authority to select products and determine which products will be carried in state and contract liquor stores.

Further, the WSLCB must set the prices of liquor for sales in state liquor stores and for sales to licensees.

SCOPE OF WORK

The CONTRACTOR will provide services, and otherwise do all things necessary for or incidental to the performance of work, as set forth in this contract instrument, the Office of Financial Management's RFP 12-200 attached as Exhibit B, the CONTRACTOR'S proposal dated _____ attached as Exhibit C, and the [NOTE: *To be modified as necessary and upon negotiation with successful contractor.*]

Exhibit A contains the General Terms and Conditions governing work to be performed under this contract, the nature of the working relationship between the AGENCY and the CONTRACTOR, and specific obligations of both parties.

The CONTRACTOR shall produce and deliver the following during the term of this Contract.

Written reports or other written documents (deliverables) by the dates indicated below:

All deliverables required under this contract must be delivered to _____, the Contract Manager, in accordance with the foregoing schedule.

PERIOD OF PERFORMANCE

Subject to other contract provisions, the period of performance under this contract will be from _____ or date of execution, whichever is later, through _____, unless sooner terminated or extended as provided herein.

OFM FILING REQUIREMENT

Under the provisions of Chapter 39.29 RCW, this personal service contract is required to be filed with the Office of Financial Management (OFM). No contract required to be so filed is effective and no work shall be commenced nor payment made until ten (10) working days following the date of filing, and, if required, until approved by OFM.

CONTRACTOR PERFORMANCE STANDARDS

The CONTRACTOR shall ensure that performance standards are met. In the event that performance standards are not met in any performance review by the WSLCB and/or _____, which are not effectively corrected by the CONTRACTOR within 120 days, the WSLCB will have the right, in its sole discretion, to terminate this contract with no obligation to the CONTRACTOR.

In the event that financial returns to the State are not realized during any performance review period, and such deficiency is not effectively corrected by the CONTRACTOR within 120 days, the WSLCB will have the right, in its sole discretion, to terminate this contract with no obligation to the CONTRACTOR.

COMPENSATION AND PAYMENT

CONTRACTOR shall pay an initial, up-front payment to the State of Washington, which shall be in the amount of \$_____. Such payment shall be deposited in full in an escrow account within fifteen days after announcement of CONTRACTOR'S selection by WSLCB and resolution of any appeals and subject to successful negotiation of this contract. Terms of the escrow agreement will be mutually agreed upon between the WSLCB and the Contractor.

In the event that such up-front payment is more than One Hundred Million Dollars (\$100,000,000), then it must be deposited into an irrevocable trust. The State of Washington shall be the beneficiary of the irrevocable trust and no more than 1/6 of the upfront payment may be paid out to the State in any fiscal year.

CONTRACTOR is solely responsible for any financial deficiencies and/or losses as a result of its contracting for the warehousing and distribution of liquor in the state of Washington. CONTRACTOR shall not in any manner look to the State of Washington contract liquor stores, consumers or licensees to recoup such deficiencies or losses.

PAYMENT PROCEDURES TO STATE

CONTRACTOR shall make payment to the State as follows:

Payment shall be made by the CONTRACTOR within [thirty (30) days or other timeframe]

AGENCY may, in its sole discretion, terminate the contract if the CONTRACTOR fails to make timely payment or satisfactorily comply with any term or condition of this Contract.

CONTRACT MANAGEMENT

The Contract Manager for each of the parties shall be the contact person for all communications and billings regarding the performance of this Contract.

Contract Manager for CONTRACTOR:	Contract Manager for WSLCB:
<u>Insert Contract Manager Name</u> <u>Contractor Name</u> <u>Address</u> <u>City, State Zip Code</u> Phone: () _____ Fax: () _____ E-mail address: _____	<u>Insert Contract Manager Name</u> Washington State Liquor Control Board P.O. Box Olympia, WA 98504- Phone: 360/_____ Fax: 360/_____ E-mail address: _____

INSURANCE

The CONTRACTOR shall provide insurance coverage as set forth in OFM Request for Proposals No. 12-200. The intent of the required insurance is to protect the state should there be any claims, suits, actions, costs, damages or expenses arising from any negligent or intentional act or omission of the CONTRACTOR or subcontract, or agents of either, while performing under the terms of this contract.

CONTRACTOR shall submit to AGENCY within fifteen days of the contract effective date, a certificate of insurance which outlines the coverage and limits defined in the Insurance section. CONTRACTOR shall submit renewal certificates as appropriate during the term of the contract.

ASSURANCES

AGENCY and the CONTRACTOR agree that all activity pursuant to this contract will be in accordance with all the applicable current federal, state and local laws, rules, and regulations.

ORDER OF PRECEDENCE

Each of the exhibits listed below is by this reference hereby incorporated into this contract. In the event of an inconsistency in this contract, the inconsistency shall be resolved by giving precedence in the following order:

- Applicable federal and state of Washington statutes and regulations
- Special Terms and Conditions as contained in this basic contract instrument
- Exhibit A – General Terms and Conditions
- Exhibit B – OFM Request for Proposals No. 12-200
- Exhibit C – Contractor's Proposal dated _____
- Any other provision, term or material incorporated herein by reference or otherwise incorporated

ENTIRE AGREEMENT

This contract including referenced exhibits represents all the terms and conditions agreed upon by the parties. No other statements or representations, written or oral, shall be deemed a part hereof.

CONFORMANCE

If any provision of this contract violates any statute or rule of law of the state of Washington, it is considered modified to conform to that statute or rule of law.

APPROVAL

This Contract shall be subject to the written approval of the AGENCY'S authorized representative and shall not be binding until so approved. The Contract may be altered, amended, or waived only by a written amendment executed by both parties.

THIS CONTRACT, consisting of _____ pages and _____ attachments, is executed by the persons signing below who warrant that they have the authority to execute the contract.

INSERT CONTRACTOR NAME

**WASHINGTON STATE LIQUOR CONTROL
BOARD**

NAME AND TITLE

NAME AND TITLE

DATE

DATE

EXHIBIT A TO WSLCB CONTRACT NO. _____

PROPOSED DRAFT

GENERAL TERMS AND CONDITIONS

DEFINITIONS - As used throughout this contract, the following terms shall have the meaning set forth below:

- A. "Agency" shall mean the Washington State Liquor Control Board, of the state of Washington, any division, section, office, unit or other entity of the Agency, or any of the officers or other officials lawfully representing that Agency.
- B. "Agent" shall mean the Director, and/or the delegate authorized in writing to act on the Director's behalf.
- C. "Contractor" shall mean that firm, provider, organization, individual or other entity performing service(s) under this contract, and shall include all employees of the Contractor.
- C. "Subcontractor" shall mean one not in the employment of the Contractor, who is performing all or part of those services under this contract under a separate contract with the Contractor. The terms "Subcontractor" and "Subcontractors" means Subcontractor(s) in any tier.
- D. "Personal Information" means information identifiable to any person, including, but not limited to, information that relates to a person's name, health, finances, education, business, use or receipt of governmental services or other activities, addresses, telephone numbers, social security numbers, driver license numbers, other identifying numbers, and any financial identifiers. Personal Information includes "Protected Health Information" as set forth in 45 CFR § 164.50 as currently drafted and subsequently amended or revised and other information that may be exempt from disclosure to the public or other unauthorized persons under either Chapter 42.17 RCW or other state and federal statutes.

ACCESS TO DATA - In compliance with RCW 39.29.080, the Contractor shall provide access to data generated under this contract to AGENCY, the Joint Legislative Audit and Review Committee, and the state auditor at no additional cost. This includes access to all information that supports the findings, conclusions, and recommendations of the Contractor's reports, including computer models and methodology for those models.

Contractor agrees to make personal information covered under this agreement available to Agency for inspection or to amend the personal information. Contractor shall, as directed by Agency, incorporate any amendments to the personal information into all copies of such personal information maintained by the Contractor or its subcontractors.

AMENDMENTS - This contract may be amended by mutual agreement of the parties. Such amendments shall not be binding unless they are in writing and signed by personnel authorized to bind each of the parties.

AMERICANS WITH DISABILITIES ACT (ADA) OF 1990, PUBLIC LAW 101-336, also referred to as the "ADA" 28 CFR Part 35 - The Contractor must comply with the ADA, which provides comprehensive civil rights protection to individuals with disabilities in the areas of employment, public accommodations, state and local government services, and telecommunications.

ASSIGNMENT – Neither this Contract, nor any claim arising under this Contract, shall be transferred or assigned by the Contractor without prior written consent of the Agency.

ATTORNEYS' FEES - In the event of litigation or other action brought to enforce contract terms, each party agrees to bear its own attorneys fees and costs.

CONFIDENTIALITY / SAFEGUARDING OF INFORMATION - The Contractor shall not use or disclose any information concerning the Agency, or information which may be classified as confidential, for any purpose not directly connected with the administration of this contract, except with prior written consent of the Agency, or as may be required by law.

CONFLICT OF INTEREST - Notwithstanding any determination by the Executive Ethics Board or other tribunal, the Agency may, in its sole discretion, by written notice to the Contractor terminate this contract if it is found after due notice and examination by the Agent that there is a violation of the Ethics in Public Service Act, Chapter 42.52 RCW; or any similar statute involving the Contractor in the procurement of, or performance under this contract.

In the event this contract is terminated as provided above, the Agency shall be entitled to pursue the same remedies against the Contractor as it could pursue in the event of a breach of the contract by the Contractor. The rights and remedies of the Agency provided for in this clause shall not be exclusive and are in addition to any other rights and remedies provided by law. The existence of facts upon which the Agent makes any determination under this clause shall be an issue and may be reviewed as provided in the "Disputes" clause of this contract.

COPYRIGHT PROVISIONS - Unless otherwise provided, all Materials produced under this contract shall be considered "works for hire" as defined by the U.S. Copyright Act and shall be owned by the Agency. The Agency shall be considered the author of such Materials. In the event the Materials are not considered "works for hire" under the U.S. Copyright laws, Contractor hereby irrevocably assigns all right, title, and interest in Materials, including all intellectual property rights, to the Agency effective from the moment of creation of such Materials.

Materials means all items in any format and includes, but is not limited to, data, reports, documents, pamphlets, advertisements, books, magazines, surveys, studies, computer programs, films, tapes, and/or sound reproductions. Ownership includes the right to copyright, patent, register and the ability to transfer these rights.

For Materials that are delivered under the contract, but that incorporate pre-existing materials not produced under the contract, Contractor hereby grants to the Agency a nonexclusive, royalty-free, irrevocable license (with rights to sublicense others) in such Materials to translate, reproduce, distribute, prepare derivative works, publicly perform, and publicly display. The Contractor warrants and represents that Contractor has all rights and permissions, including intellectual property rights, moral rights and rights of publicity, necessary to grant such a license to the Agency.

The Contractor shall exert all reasonable effort to advise the Agency, at the time of delivery of Materials furnished under this contract, of all known or potential invasions of privacy contained therein and of any portion of such document which was not produced in the performance of this contract. The Agency shall receive prompt written notice of each notice or claim of infringement received by the Contractor with respect to any data delivered under this contract. The Agency shall have the right to modify or remove any restrictive markings placed upon the data by the Contractor.

COVENANT AGAINST CONTINGENT FEES - The Contractor warrants that no person or selling agent has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting bona fide employees or bona fide established agents maintained by the Contractor for the purpose of securing business. The Agency shall have the right, in the event of breach of this clause by the Contractor, to annul this contract without liability or, in its discretion, to deduct from the contract price or consideration or recover by other means the full amount of such commission, percentage, brokerage or contingent fee.

DISPUTES - Except as otherwise provided in this contract, when a dispute arises between the parties and it cannot be resolved by direct negotiation, either party may request a dispute hearing with Agent.

1. The request for a dispute hearing must:

- Be in writing;
- State the disputed issue(s);
- State the relative positions of the parties;
- State the contractor's name, address, and contract number; and
- Be mailed to the agent and the other party's (respondent's) contract manager within 3 working days after the parties agree that they cannot resolve the dispute.

2. The respondent shall send a written answer to the requester's statement to both the agent and the requester within 5 working days.

3. The Agent shall review the written statements and reply in writing to both parties within 10 working days. The Agent may extend this period if necessary by notifying the parties.

4. The parties agree that this dispute process shall precede any action in a judicial or quasi-judicial tribunal.

Nothing in this Contract shall be construed to limit the parties' choice of a mutually acceptable ADR method in addition to the dispute resolution procedure outlined above.

GOVERNING LAW - This contract shall be construed and interpreted in accordance with the laws of the state of Washington, and the venue of any action brought hereunder shall be in the Superior Court for Thurston County.

INDEMNIFICATION - To the fullest extent permitted by law, Contractor shall indemnify, defend, and hold harmless state, agencies of state and all officials, agents and employees of state, from and against all claims for injuries or death arising out of or resulting from the performance of the Contract. Contractor's obligation to indemnify, defend, and hold harmless includes any claim by Contractors' agents, employees, representatives, or any subcontractor or its employees.

Contractor expressly agrees to indemnify, defend, and hold harmless the state for any claim arising out of or incident to Contractor's or any subcontractor's performance or failure to perform the Contract. Contractor's obligation to indemnify, defend, and hold harmless the state shall not be eliminated or reduced by any actual or alleged concurrent negligence of state or its agents, agencies, employees and officials.

Contractor waives its immunity under Title 51 RCW to the extent it is required to indemnify, defend and hold harmless state and its agencies, officials, agents or employees.

INDEPENDENT CAPACITY OF THE CONTRACTOR - The parties intend that an independent contractor relationship will be created by this contract. The Contractor and his or her employees or agents performing under this contract are not employees or agents of the Agency. The Contractor will not hold himself/herself out as or claim to be an officer or employee of the Agency or of the state of Washington by reason hereof, nor will the Contractor make any claim of right, privilege or benefit which would accrue to such employee under law. Conduct and control of the work will be solely with the Contractor.

INDUSTRIAL INSURANCE COVERAGE - The Contractor shall comply with the provisions of Title 51 RCW, Industrial Insurance. If the Contractor fails to provide industrial insurance coverage or fails to pay premiums or penalties on behalf of its employees as may be required by law, Agency may collect from the Contractor the full amount payable to the Industrial Insurance accident fund. The Agency may deduct the amount owed by the Contractor to the accident fund from the amount payable to the Contractor by the Agency under this contract, and transmit the deducted amount to the Department of Labor and Industries, (L&I) Division of Insurance Services. This provision does not waive any of L&I's rights to collect from the Contractor.

LICENSING, ACCREDITATION AND REGISTRATION - The Contractor shall comply with all applicable local, state, and federal licensing, accreditation and registration requirements/standards, necessary for the performance of this contract.

LIMITATION OF AUTHORITY - Only the Agent or Agent's delegate by writing (delegation to be made prior to action) shall have the express, implied, or apparent authority to alter, amend, modify, or waive any clause or condition of this Contract. Furthermore, any alteration, amendment, modification, or waiver of any clause or condition of this contract is not effective or binding unless made in writing and signed by the Agent.

NONCOMPLIANCE WITH NONDISCRIMINATION LAWS - In the event of the Contractor's non-compliance or refusal to comply with any nondiscrimination law, regulation, or policy, this contract may be rescinded, canceled or terminated in whole or in part, and the Contractor may be declared ineligible for further contracts with the Agency. The Contractor shall, however, be given a reasonable time in which to cure this noncompliance. Any dispute may be resolved in accordance with the "Disputes" procedure set forth herein.

NONDISCRIMINATION - During the performance of this contract, the Contractor shall comply with all federal and state nondiscrimination laws, regulations and policies.

OVERPAYMENTS AND ASSERTION OF LIEN - In the event that the Agency establishes overpayments or erroneous payments made to the Contractor under this contract, the Agency may secure repayment, plus interest, if any, through the filing of a lien against the Contractor's real property or by requiring the posting of a bond, assignment of deposit or some other form of security acceptable to the Agency or by doing both.

PUBLICITY - The Contractor agrees to submit to the Agency all advertising and publicity matters relating to this Contract wherein the Agency's name is mentioned or language used from which the connection of the Agency's name may, in the Agency's judgment, be inferred or implied. The Contractor agrees not to publish or use such advertising and publicity matters without the prior written consent of the Agency.

RECORDS MAINTENANCE - The Contractor shall maintain books, records, documents, data and other evidence relating to this Contract and performance of the services described herein, including but not limited to accounting procedures and practices which sufficiently and properly reflect all direct and indirect costs of any nature expended in the performance of this Contract. Contractor shall retain such records for a period of six years following the date of final payment. At no additional cost, these records, including materials generated under the Contract, shall be subject at all reasonable times to inspection, review or audit by the Agency, personnel duly authorized by the Agency, the Office of the State Auditor, and federal and state officials so authorized by law, regulation or agreement.

If any litigation, claim or audit is started before the expiration of the six (6) year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved.

REGISTRATION WITH DEPARTMENT OF REVENUE - The Contractor shall complete registration with the Washington State Department of Revenue and be responsible for payment of all taxes due on payments made under this contract.

RIGHT OF INSPECTION - The Contractor shall provide right of access to its facilities to the Agency, or any of its officers, or to any other authorized agent or official of the state of Washington or the federal government, at all reasonable times, in order to monitor and evaluate performance, compliance, and/or quality assurance under this contract.

The Contractor shall make available information necessary for Agency to comply with the client's right to access, amend, and receive an accounting of disclosures of their Personal Information according to the Health Insurance Portability and Accountability Act of 1996 (HIPAA) or any regulations enacted or revised pursuant to the HIPAA provisions and applicable provisions of Washington State law. The Contractor's internal policies and procedures, books, and records relating to the safeguarding, use, and disclosure of Personal Information obtained or used as a result of this contract shall be made available to Agency and the U.S. Secretary of the Department of Health & Human Services, upon request.

SEVERABILITY - The provisions of this contract are intended to be severable. If any term or provision is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of the contract.

SITE SECURITY - While on Agency premises, Contractor, its agents, employees, or subcontractors shall conform in all respects with physical, fire or other security policies or regulations.

SUBCONTRACTING - Neither the Contractor nor any Subcontractor shall enter into subcontracts for any of the work contemplated under this contract without obtaining prior written approval of the Agency. In no event shall the existence of the subcontract operate to release or reduce the liability of the Contractor to the Agency for any breach in the performance of the contractor's duties. This clause does not include contracts of employment between the contractor and personnel assigned to work under this contract.

Additionally, the Contractor is responsible for ensuring that all terms, conditions, assurances and certifications set forth in this agreement are carried forward to any subcontracts. Contractor and its subcontractors agree not to release, divulge, publish, transfer, sell or otherwise make known to unauthorized persons personal information without the express written consent of the agency or as provided by law.

TAXES - All payments accrued on account of payroll taxes, unemployment contributions, any other taxes, insurance or other expenses for the Contractor or its staff shall be the sole responsibility of the Contractor.

TERMINATION FOR CAUSE – In the event the Agency determines the Contractor has failed to comply with the conditions of this Contract in a timely manner, the Agency has the right to suspend or terminate this Contract. Before suspending or terminating the Contract, the Agency shall notify the Contractor in writing of the need to take corrective action. If corrective action is not taken within 30 days, the Contract may be terminated or suspended. In the event of termination or suspension, the Contractor shall be liable for damages as authorized by law including, but not limited to, any cost difference between the original Contract and the replacement or cover Contract and all administrative costs directly related to the replacement Contract, e.g., cost of the competitive bidding, mailing, advertising and staff time. The Agency reserves the right to suspend all or part of the Contract, demand payments due in full, or prohibit the Contractor from further performance hereunder in whole or in part during investigation of the alleged compliance breach and pending corrective action by the Contractor or a decision by the Agency to terminate the Contract. A termination shall be deemed to be a "Termination for Convenience" if it is determined that the Contractor: (1) was not in default; or (2) failure to perform was outside of his or her control, fault or negligence. The rights and remedies of the Agency provided in this Contract are not exclusive and are in addition to any other rights and remedies provided by law.

TERMINATION FOR CONVENIENCE - Except as otherwise provided in this contract, the Agency may, by 45 days' written notice, beginning on the second day after the mailing, terminate this contract, in whole or in part. If this contract is so terminated, the Agency shall be liable only for payment required under the terms of this contract for services rendered or goods delivered prior to the effective date of termination.

TERMINATION PROCEDURES - Upon termination of this contract, the Agency, in addition to any other rights provided in this contract, may require the Contractor to deliver to the Agency any property specifically produced or acquired for the performance of such part of this contract as has been terminated. The provisions of the "Treatment of Assets" clause shall apply in such property transfer.

The Contractor shall pay to the Agency any agreed upon revenue, as agreed upon by the Contractor and the Agency.

Contractor shall protect and preserve State owned property at its sole expense until such time as property is fully transitioned to another Contractor or to the State. The rights and remedies of the Agency provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this contract.

After receipt of a notice of termination, and except as otherwise directed by the Agent, the Contractor shall:

1. Stop work under the contract on the date, and to the extent specified, in the notice;
2. Place no further orders or subcontracts for materials, services, or facilities except as may be necessary for completion of such portion of the work under the contract that is not terminated;
3. Assign to the Agency, in the manner, at the times, and to the extent directed by the Agent, all of the rights, title, and interest of the Contractor under the orders and subcontracts so terminated, in which case the Agency has the right, at its discretion, to settle or pay any or all claims arising out of the termination of such orders and subcontracts.
4. Settle all outstanding liabilities and all claims arising out of such termination of orders and subcontracts, with the approval or ratification of the Agent to the extent Agent may require, which approval or ratification shall be final for all the purposes of this clause;
5. Transfer title to the Agency and deliver in the manner, at the times, and to the extent directed by the Agent any property which, if the contract had been completed, would have been required to be furnished to the Agency;
6. Complete performance of such part of the work as shall not have been terminated by the Agent; and
7. Take such action as may be necessary, or as the Agent may direct, for the protection and preservation of the property related to this contract which is in the possession of the Contractor and in which the Agency has or may acquire an interest.

TREATMENT OF ASSETS -

- A. Title to all property furnished by the Agency shall remain in the Agency. Title to all property furnished by the Contractor, the cost of which the Contractor is entitled to be reimbursed as a direct item of cost under this contract, shall pass to and vests in the Agency upon delivery of such property by the Contractor. Title to other property, the cost of which is reimbursable to the Contractor under this contract, shall pass to and vest in the Agency upon (i) issuance for use of such property in the performance of this contract, or (ii) commencement of use of such property in the performance of this contract, or (iii) reimbursement of the cost thereof by the Agency in whole or in part, whichever first occurs.
- B. Any property of the Agency furnished to the Contractor shall, unless otherwise provided herein or approved by the Agency, be used only for the performance of this contract.
- C. The Contractor shall be responsible for any loss or damage to property of the Agency which results from the negligence of the Contractor or which results from the failure on the part of the Contractor to maintain and administer that property in accordance with sound management practices.
- D. If any Agency property is lost, destroyed or damaged, the Contractor shall immediately notify the Agency and shall take all reasonable steps to protect the property from further damage.
- E. The Contractor shall surrender to the Agency all property of the Agency prior to settlement upon completion, termination or cancellation of this contract.
- F. All reference to the Contractor under this clause shall also include Contractor's employees, agents or Subcontractors.

U.S. DEPARTMENT OF TREASURY, OFFICE OF FOREIGN ASSETS CONTROL- The agency complies with U.S. Department of the Treasury, Office of Foreign Assets Control (OFAC) payment rules. OFAC prohibits financial transactions with individuals or organizations, which have been placed on the OFAC Specially Designated Nationals (SDN) and Blocked Persons sanctions list located at <http://www.treas.gov/offices/enforcement/ofac/index.html>. Compliance with OFAC payment rules ensures that the agency does not conduct business with individuals or organizations that have been determined to be supporters of terrorism and international drug dealing or that pose other dangers to the United States.

Prior to making payment to individuals or organizations, the agency will download the current OFAC SDN file and compare it to agency and statewide vendor files. In the event of a positive match, the agency reserves the right to: (1) make a determination of "reasonability" before taking the positive match to a higher authority, (2) seek assistance from the Washington State Office of the State Treasurer (OST) for advanced assistance in resolving the positive match, (3) comply with an OFAC investigation, if required,

and/or (4) if the positive match is substantiated, notify the contractor in writing and terminate the contract according to the Termination for Convenience provision without making payment. The agency will not be liable for any late payment fees or missed discounts that are the result of time required to address the issue of an OFAC match.

WAIVER - Waiver of any default or breach shall not be deemed to be a waiver of any subsequent default or breach. Any waiver shall not be construed to be a modification of the terms of this Contract unless stated to be such in writing and signed by authorized representative of the Agency.

EXHIBIT C TO OFM RFP 12-200

PROPOSED DRAFT

AFTER RECORDING RETURN TO:

Department of General Administration
Facilities Division
P. O. Box 41015
Olympia, Washington 98504-1015

Off Campus document with Private Tenants

Lease No. PMO 00-0000
(City) DGR/ij
Date:
Page 1 of 52

PROPERTY MANAGEMENT LEASE

1. THIS LEASE, is made and entered into by and between the STATE OF WASHINGTON, Department of General Administration, acting in accordance with RCW 43.82.010 whose address is 230 General Administration Building, Post Office Box 41015, Olympia, Washington 98504-1015 for its administrators, successors, and assigns, hereinafter called the Lessor, and _____, hereinafter called the Lessee whose address is Street or PO BOX, City, State Zip. This Lease is dated for reference purposes only as of the latest date of execution hereof.

NOW, THEREFORE, in consideration of the terms, conditions, covenants and performances contained herein, IT IS MUTUALLY AGREED AS FOLLOWS:

LEASED PREMISES

2. The Lessor hereby leases to the Lessee the following described Leased Premises:

Tax Parcel Number: _____

Common Street Address: 4401 E. Marginal Way S, Seattle, WA 98134

Approximately _____ BOMA rentable square feet of warehouse and office space in the building commonly known as the Washington State Liquor Control Board Distribution Center located at 4401 E. Marginal Way, Seattle, Washington, and legally described as follows:

NOTE: Will define common area, conference rooms, restrooms lunch, etc., if WSLCB maintains presence at DC.

3. The Leased Premises shall only be used by the Lessee for the following purpose: liquor distribution and applicable management office space.

3.1 No other use shall be permitted without the prior written approval of the Lessor, at its sole discretion. No pets or other animals shall be kept, housed, or brought into the Leased Premises for any purpose with the exception of guide dogs and service animals, as required by employees and visitors, and dogs required for law enforcement or security purposes. Lessee shall comply with ch. 70.160 RCW and Executive Order 88-06, and no smoking shall be permitted in the building, on the Premises, or within 25 feet of an entrance or opening to the building. Lessee agrees to keep the Leased Premises in as good order, condition, and repair as when the same was

entered upon, ordinary wear excepted. Furthermore, in using these Leased Premises, it is expressly agreed that Lessee shall comply with all applicable federal, state, and local laws, ordinances, regulations and environmental requirements.

TERM

4. TO HAVE AND TO HOLD the Leased Premises with their appurtenances for the term _____ through _____.

RENT

5. The Lessee shall pay Rent to the Lessor for the Leased Premises as follows:

Base Rent (<i>spell out dollar amount</i>)	\$ _____ per month
Leasehold Excise Tax (<i>spell out dollar amount</i>)	\$ _____ per month
Total Monthly Payment (<i>spell out dollar amount</i>)	\$ _____ per month

Payment shall be made on or before the fifth (5th) of each month.

5.1 The monthly rental set forth herein includes as provided by RCW 43.82.010 (7), an estimate of management costs and this monthly rental shall be subject to adjustment from time to time to reflect actual costs incurred in the management of the Leased Premises.

5.2 Lessee shall remit to Lessor leasehold excise tax in the amount stated above, which is 12.84% of the Rent stated in Rent paragraph. Leasehold excise tax shall be adjusted if there occurs an adjustment in the Rental rate or leasehold excise tax rate, or any remodel, alteration, or tenant improvement expenditures by Lessee that require the payment of Leasehold Excise Tax under RCW 82.29A.020 (2)(a). Said tax shall be paid each month at the same time as payment of Rent is due.

LATE CHARGE

6. If any payment under this Lease is not received by the due date, Lessor may add interest of one percent (1%) per month, or fraction thereof, per RCW 43.17.240 for all amounts owed (including insufficient fund charges) until paid in full. There may be an additional charge of \$50.00 for any check returned for insufficient funds. Interest shall be compounded monthly and added to all amounts until account is current.

RENEWAL/CANCELLATION

7. The Lease may, with the consent of Lessor, be renegotiated for an additional _____ (_____) years.

OPTIONAL

7.1 It is mutually understood and agreed by and between the Lessor and the Lessee that this Lease may be canceled and terminated by either party on or after the _____ month of its Term provided that written notice of such cancellation and termination shall have been given at least _____ days prior to the effective date thereof, in which event Rent shall be prorated to the date of termination.

7.2 In the event that Lessor desires to renovate redevelop, improve, change the use or demolish the building, of which the Leased Premises are a part, Lessor expressly reserves the right at its sole discretion to terminate this Lease subject to giving the Lessee at least one hundred eighty (180) days written notice prior to the effective date of such termination in which event rent shall be prorated to the date of termination. In addition, in the event of termination or expiration of this Lease, Lessee acknowledges that the signing of this Lease does not entitle Lessee to assistance under the Uniform Relocation and Real Property Acquisition Policy, Ch. 8.26 RCW.

OPTIONAL

HOLDING OVER

8. If Lessee remains in possession of the Leased Premises after the expiration or termination of this Lease, or any extension thereof, such possession by Lessee shall be deemed to be a month-to-month tenancy, terminable as provided by law. During such month-to-month tenancy, Lessee shall pay all Rent provided in this Lease or such other Rent as the parties mutually agree in writing and all provisions of this Lease shall apply to the month-to-month tenancy, except those pertaining to Term and option to extend the Term.

ASSIGNMENT/SUBLEASE

9. The Lessee shall not assign, nor sublet the Leased Premises without first obtaining Lessor's prior written consent in Lessor's sole discretion.

EXPENSES

10. During the term of this Lease, Lessor shall pay all real estate taxes, and property assessments, if applicable; utilities, including water, (including storm water, landscape and irrigation water), sewer, garbage collection, natural gas and electricity; and maintenance and repair including elevator service, landscape maintenance and janitorial service. Janitorial service includes restroom supplies, light bulb replacement, and those other items as specified in Exhibit "J" which is attached hereto and incorporated by reference.

To be used when lessee pays for any expenses listed above that lessor does not provide (optional)

11 Lessee shall pay for:

11.1 An agreed upon percentage of all utilities, including water (including storm water, landscape and irrigation water), sewer, garbage collection, natural gas and electricity; and maintenance and repair including landscape maintenance. Lessee occupies ____ or ____ percent of the total building and shall pay ____ of such charges.

11.2 Provide for their own office space janitorial service. Janitorial service includes restroom supplies, light bulb replacements, and those other items as specified in Exhibit "J" which is attached hereto and incorporated herein. (NOTE: Exhibit J is not attached to OFM RFP 12-200.)

11.3 Provide janitorial or other cleaning services to maintain the warehouse in good/clean condition.

11.4 Any and all warehouse or Lessee office space modifications deemed necessary/required by the Lessee to insure liquor product distribution requirements are met.

11.5 Any and all expenses associated with the cost to properly maintain the facility and Material Handling System (MHS): including but not limited to: MHS system mechanical parts and/or modifications, electrical requirements, system communications, software maintenance/modification/upgrades, and other MHS costs to meet requirements of a separate liquor product distribution contract.

11.6 Insurance to insure the State's assets are protected from any loss.

11.7 City or local jurisdiction assessments, fees, permits, inspections or other in relation to the distribution operations.

To be used when Lessee reimburses Lessor for a prorate share of certain utilities:

11.1 Lessee shall reimburse Lessor for its agreed to percentage share of the following costs: electricity, water, sewer, natural gas, and garbage collection. Lessee shall submit a monthly voucher (with a copy of all bills for which reimbursement is requested) to be paid by Lessor for its agreed to portion based on Lessor's occupied Leased space. Lessee occupies ____ or ____ percent of the total building and shall pay ____ of such charges.

MAINTENANCE AND REPAIR

12. The Lessee shall maintain the Leased Premises in good repair and tenantable condition during the Term of this Lease, except in case of damage caused by the Lessor's clients, agents or employees. For the purposes of so maintaining the Leased Premises, the Lessor reserves the right at reasonable times to enter and inspect the Leased Premises and to make any necessary repairs to the building.

ALTERATIONS

13. During the Term of this Lease, Lessee shall have the right to make alterations and construct or install improvements, additions and structures in or upon the Leased Premises (the "Alterations") subject to Lessor's prior written approval, which shall not be unreasonably withheld. To request said approval, Lessee shall complete and submit to Lessor, Lessor's "Tenant Improvement Request Form." Lessee shall cause plans and specifications to be developed at its sole cost and expense for Lessor's prior written approval, which shall not be unreasonably withheld. Said alterations shall be limited by the building's utility systems' capacity and structural capability and shall also be limited to appropriate and prudent uses and occupancy as reasonably determined by Lessor. The Lessor shall have the first right to provide such services. At Lessor's option, Lessee may be required to remove said alterations upon expiration or earlier termination of this Lease, at Lessee's sole cost and expense.

If required by state law, the Lessee shall pay the prevailing rate of wage to all workers, laborers or mechanics employed to perform such services as well as comply with the rules and regulations of the Department of Labor and Industries. In providing said alterations, Lessee agrees to comply with all applicable local, state, and federal regulations including but not limited to, compliance with building codes, public works requirements and obtaining appropriate permits and inspections. Lessee also agrees to comply with the "General Administration Facilities Design Guidelines & Construction Standards", January 2008 edition, in performing said alterations. Lessee agrees to provide Lessor with all information regarding the full cost of any such Alterations which require the payment of Leasehold Excise Tax under RCW 82.29A.020 (2)(a).

FIXTURES

11. Lessee reserves the right to install in or upon the Leased Premises such equipment as is customarily used in the type of business conducted by Lessee from the Leased Premises subject to Lessor's prior written approval, which shall not be unreasonably withheld, and subject to said equipment being compatible with any and all MHS system in compliance with _____ standards and all city, state, local, standards or codes and as applicable, with the "General Administration Facilities Design Guidelines & Construction Standards", January 2008, meeting current Washington State Energy Code (Chapter 51-11 WAC) and International Building Code requirements, and complying with the Governor's Executive Orders on facility sustainability and energy usage (e.g. 05-01, Establishing Sustainability and Efficiency Goals for State Operations; 94-01, Implementing the Washington Energy Strategy; 79-02, Energy Conservation; and 74-16, State-Wide Energy Conservation Program). Lessee reserves the right to remove from the Leased Premises all such equipment and all other property of the Lessee, subject to repairing any damage to the Leased Premises occasioned by the removal thereof, at the expiration or earlier termination of this Lease. At Lessor's option, Lessee shall remove said equipment and all other property of the Lessee upon expiration or earlier termination of this Lease, at Lessee's sole cost and expense.

SIGNAGE

12. Lessee hereby agrees that all signs and other advertising desired to be placed by Lessee upon or in front of the Leased Premises, and all interior installations desired to be placed by Lessee, within said Leased Premises, are subject to the prior written approval of Lessor in Lessor's sole discretion. Such signs and other advertising, if approved, shall conform with the ordinances of the City of _____, if applicable, the "General Administration Facilities Design Guidelines & Construction Standards: January 2008 edition, and all other conditions imposed by Lessor's written approval.

OPTIONAL – IF LEASE INCLUDES TENANT IMPROVEMENTS

TENANT IMPROVEMENTS

13. The Lessee shall provide and pay for tenant improvements constructed in a good and workmanlike manner reasonably acceptable to Lessor in accordance with Lessee Architect and/or Engineer plan dated _____ as approved in writing by Lessee and the Lessor's Asset Manager for the Department of General Administration (the "Asset Manager") and collectively attached hereto and incorporated herein by reference as Exhibit B (the "Tenant Improvements"). (NOTE: Exhibit B is not attached to OFM RFP 12-200.)
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OPTIONAL –TENANT IMPROVEMENTS TO BE PAID IN FULL

16.1 Subject to Lessee's completion of the construction of said Tenant Improvements in a good and workmanlike manner reasonably acceptable to Lessor and approved by Lessor's Asset Manager, Lessee shall pay contractor the costs including Washington State sales tax.

DISASTER

14. Lessor reserves the right to limit Lessee's access to the Leased Premises during natural disasters, fire, or other emergencies as necessary for Lessee's health and safety. In the event that the Leased Premises are destroyed or injured by fire, earthquake or other casualty so as to render the Leased Premises unfit for occupancy, and the Lessor neglects and/or refuses to restore said Leased Premises to their former condition, then the Lessee may terminate this Lease and shall be reimbursed for any unearned Rent that has been paid. In the event said Leased Premises are partially destroyed by any of the aforesaid means, the Rent herein agreed to be paid shall be abated from the time of occurrence of such destruction or injury until the Leased Premises are again restored to their former condition, and any Rent paid by the Lessee during the period of abatement shall be credited upon the next installment(s) of Rent to be paid. It is understood that the terms "abated" and "abatement" mean a prorata reduction of area unsuitable for occupancy due to casualty loss in relation to the total area of the Leased Premises.

REIMBURSEMENT FOR DAMAGE TO LEASED PREMISES

15. The Lessee hereby agrees to reimburse the Lessor for damages caused by its employees, contractors, licensees, invitees, clients and agents, but in no event shall this paragraph be construed as diminishing the Lessor's duty to make repairs as set forth in the preceding paragraphs of this Lease, or as making Lessee responsible for the repair of normal wear and tear.

ENERGY

16. The Lessee, or authorized representative has conducted an energy audit of this facility, identified energy conservation maintenance and operation procedures, undertaken technical assistance studies and/or subsequent acquisition and installation of energy conservation measures identified as cost effective, and further complied with RCW 43.19.675, RCW 43.19.680, and RCW 43.19.685. The Lessee agrees to comply with reasonable conservation measures to reduce or conserve energy usage in the facility, including compliance with Executive Order 02-03, dated September 18, 2002, and Executive Order 05-01, dated January 5, 2005.

HAZARDOUS SUBSTANCES

17. Lessee shall not keep on or about the Leased Premises, for use, disposal, treatment, generation, storage or sale any substances which are hazardous, toxic, harmful or dangerous, and/or which are subject to regulation as hazardous or toxic, dangerous, or as a pollutant by any federal, state, or local law, regulation, statute, or ordinance (collectively referred to herein as "hazardous substances"). Lessee shall be fully liable to the Lessor, and shall indemnify, defend and save harmless the Lessor and its officials and employees, with respect to any and all damages, costs, fees (including attorneys' fees and costs), civil and criminal penalties, or clean-up costs assessed against or imposed as a result of Lessee's use, disposal, generation, storage, or sale of hazardous substances or that of Lessee's employees, agents, or invitees. Breach of this provision shall entitle Lessor to terminate this Lease. This provision shall not apply to properly stored cleaning supplies such as ammonia-based cleaners nor to office supplies such as copy machine toner.

ADDITIONAL LEASE PROVISIONS

18. Acceptance of Premises. It is understood and agreed that the Lessee accepts the Leased Premises in its present condition and accepts all risk of injury to persons or damage to property resulting from, or arising out of, the condition of the Leased Premises. This acceptance includes knowledge that the Leased Premises may not meet the requirements set forth in the American's with Disabilities Act (ADA). If at any time during the Term of this Lease, Lessee reasonably determines that barriers to the disabled existing in the
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Leased Premises must be eliminated, Lessee shall so notify the Lessor in writing. Lessor and Lessee shall endeavor to arrive at a mutually satisfactory agreement for accomplishing necessary alterations within thirty (30) days of said written notice. If Lessor and Lessee cannot arrive at a mutually satisfactory agreement, Lessee shall have the option to terminate this Lease subject to sixty (60) days' prior written notice to Lessor, in which event Rent shall be prorated to the date of termination.

19. Vacating the Leased Premises. Upon vacating the Leased Premises, the Lessee hereby agrees to leave the Leased Premises in as good order, condition and repair as same was entered upon, subject to normal wear and tear. The Lessee also agrees to a joint inspection of the Leased Premises by Lessor and Lessee upon vacating the Leased Premises. Lessee shall return all keys, card-keys and other access devices to Lessor upon vacating the Leased Premises. Upon vacating the Leased Premises, the Lessee also agrees to remove all phone and data wiring installed by Lessee during its tenancy, leaving the Leased Premises in as good condition as when entered upon.
20. Disputes. In the event that a dispute arises under this Lease, it shall be determined by a three-member dispute board in the following manner: Each party to this Lease shall appoint a member to the dispute board. The members so appointed shall jointly appoint a third member to the dispute board. The dispute board shall evaluate the facts, Lease terms and applicable statutes and rules and make a determination of the dispute. The determination of the dispute board shall be final and binding on the parties hereto.
21. Severability. If any provisions of this Lease or its application to any person or circumstance are held invalid, such invalidity shall not affect the remainder of the Lease.

HOLD HARMLESS

22. Lessee, its successors or assigns, will protect, save and hold harmless the Lessor, its authorized agents and employees, from all claims, actions, costs, damages or expenses of any nature whatsoever arising out of or in connection with any acts or activities authorized by this Lease. The Lessee further agrees to defend the Lessor, its agents, or employees, in any litigation, including the payment of any costs or attorneys' fees, for any claims or action commenced thereon arising out of or in connection with acts or activities authorized by this Lease. This obligation shall not include such claims, costs, damages or expenses which may be caused by the sole negligence of the Lessor or its authorized agents or employees; Provided, that if the claims or damages are caused by or result from the concurrent negligence of (a) the Lessor, its agents or employees, and (b) the Lessee, its agents or employees and involves actions covered by RCW 4.24.115, this indemnity provision shall be valid and enforceable only to the extent of the negligence of the Lessee or Lessee's agents or employees.

NO GUARANTEES

23. It is understood that no guarantees, representations, promises or statements, express or implied, have been made by the Lessor unless endorsed herein in writing. The parties further agree that this Lease shall not be valid and binding upon Lessor, unless it has been approved by the Director of the Department of General Administration of the State of Washington, or his or her designee, and approved as to form by the Office of the Attorney General. Any amendment or modification of this Lease must be in writing and signed by both parties.

INTERPRETATION

24. Each of the provisions of this Lease has been reviewed and negotiated and represents the combined work product of both parties hereto. No presumption or other rules of construction which would interpret the provisions of this Lease in favor of or against the parties preparing the same shall be applicable in connection with the construction or interpretation of any of the provisions of this Lease.

NOTICES

25. Wherever in this Lease written notices are to be given or made, they will be sent by certified mail to the address listed below unless a different address shall be designated in writing and delivered to the other party.

LESSOR: Department of General Administration
Facilities Division
Post Office Box 41015
Olympia, Washington 98504-1015

ATTENTION: Property Management

LESSEE: Street or PO BOX
City, State, Zip

ATTENTION: _____

CAPTIONS

26. The captions and paragraph headings herein are inserted for convenience purposes only and shall not be deemed to limit or expand the meaning of any paragraph.

27.

IN WITNESS WHEREOF, the parties hereto have subscribed their names.

LESSEE

By: _____

Name: _____

Title: _____

Date: _____

LESSOR

STATE OF WASHINGTON

Department of General Administration

Carrie R. Martin, Property Management Group Mgr.
Facilities Division

Date: _____

RECOMMENDED FOR APPROVAL:

, Asset Manager
Facilities Division

Date: _____

APPROVED AS TO FORM:

By: _____
Assistant Attorney General

Date: _____

Use Applicable Jurat:

CORPORATE JURAT

STATE OF _____)
_____) ss.
County of _____)

On this _____ day of _____, A.D., 20_____, before me personally appeared _____ to me known to be the _____ of the corporation that executed the within and foregoing instrument and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that _____ was authorized to execute said instrument and that the seal affixed thereto is the corporate seal of said corporation.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year first above written.

Notary Public in and for the State of Washington,
Residing at _____
My commission expires _____

INDIVIDUAL JURAT

STATE OF _____)
_____) ss.
County of _____)

I, the undersigned, a Notary Public, do hereby certify that on this _____ day of _____, 20_____, personally appeared before me _____ to me known to be the individual(s) described in and who executed the within instrument, and acknowledged that _____ signed and sealed the same as free and voluntary act and deed, for the purposes and uses therein mentioned.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year first above written.

Notary Public in and for the State of Washington,
Residing at _____
My commission expires _____

MULTI-USE JURAT

STATE OF _____)
_____) ss.
County of _____)

On this _____ day of _____, 20_____, before me personally appeared _____ and said person(s) acknowledged that _____ signed this instrument, and on oath stated that _____ was authorized to execute the instrument and acknowledged it as the _____ of _____ to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year first above written.

Notary Public in and for the State of Washington,
Residing at _____

My commission expires_____

STATE OF WASHINGTON)
) ss.
County of Thurston)

I, the undersigned, a Notary Public, do hereby certify that on this _____ day of _____, 20_____, personally appeared before me Carrie R. Martin, Property Management Group Mgr., Facilities Division, Department of General Administration, State of Washington, to me known to be the individual described in and who executed the within instrument, and acknowledged that she signed and sealed the same as the free and voluntary act and deed of the Department, for the purposes and uses therein mentioned, and on oath stated that she was duly authorized to execute said document.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year first above written.

Notary Public in and for the State of Washington,
Residing at _____
My commission expires _____
